Superintendencia de Bancos de Panamá

Banking Activity Report

January 2025

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Executive Summary

As of the end of January 2025, Panama's International Banking Center (IBC) maintains stable operational and financial performance, reflecting prudent management and its notable ability to adapt in a complex global and local economic environment. Financial soundness indicators, including a liquidity ratio of 54.5% and a risk-adjusted Capital Adequacy Ratio (CAR) of 15.29%, demonstrate strict compliance with prudential regulations, reinforcing banks' capacity to withstand financial shocks and market volatility.

I. Balance Sheet: The IBC reported net assets of USD 154,660.7 million, reflecting a year-over-year expansion of 5.8%, driven by the growth of the net credit portfolio (+7.9%) and diversification in securities investments (+6.0%). Meanwhile, net liquid assets declined by 0.2%, without compromising the ability to respond to potential liquidity stresses. In the National Banking System (NBS), total assets increased by 7.0% (to USD 138,553.7 million), mainly due to the net loan portfolio (+8.0%). This solid balance sheet management strengthens the banking system's capital base and funding structure.

II. Income Statement: In January 2025, the IBC achieved profits of USD 252.5 million (+0.18% year over year - YoY), supported by increased dynamism in other income sources (+7.26%), which offset a 9.2% contraction in net interest income. The NBS, in turn, recorded net profits of USD 224.3 million (+1.3%), reflecting the entities' ability to manage operating costs and navigate pressures from persistently high interest rates. The decline in general expenses and the adoption of digital solutions contributed to the operational efficiency of both segments.

III. Profitability Indicators: Despite a slight margin compression, the system maintains positive profitability levels. The IBC reported a ROE of 16.85% and a ROA of 2.01%, while the Net Interest Margin (NIM) stood at 2.68%. These figures highlight the institutions' ability to offset margin pressures through income diversification and cost containment. Strengthening the intermediation spread, amid volatile international rates, will be key to sustaining future profitability.

IV. Credit Portfolio evolution: The NBS's local credit portfolio amounted to USD 63,624 million, reflecting a 4.3% increase (USD 2,632 million) compared to January 2024. Sectors such as commerce, personal loans, and the public sector saw notable growth, while fishing, mining, and construction experienced contractions. These trends underscore the need for a prudent credit origination strategy and appropriate risk segmentation to mitigate potential asset quality deterioration. Meanwhile, the IBC's non-performing loan ratio stood at 2.23%, down 0.17 percentage points from January 2024. Delinquency declined to 1.43% (-0.20 pp), confirming the effectiveness of distressed credit management. The provision coverage ratio (102.63%) demonstrated the system's robustness in absorbing expected losses and its adoption of preventive risk management approaches.

V. Deposits: Total deposits in the IBC amounted to USD 108,795.0 million (+4.5% YoY), bolstered by a 5.8% increase in domestic deposits and a 2.6% rise in foreign deposits. Simultaneously, the NBS totaled USD 96,850.6 million (+6.4%), strengthening its resource mobilization position. The contribution of individual deposits stood out, reflecting sustained investor confidence in local banks.

VI. Conclusions: In summary, the performance of the IBC and NBS as of January 2025 confirms the resilience and stability of Panama's banking system, supported by prudent management, adequate liquidity and capitalization indicators, and the adaptability of funding strategies. Given the current challenging global environment, continuous risk monitoring, diversification of income sources, and a robust provisioning policy will be key factors in preserving system strength and enhancing Panama's role as a leading financial hub in the region.

A. Liquidity

During the first month of 2025, Panama's banking sector demonstrated a strong operational position, evidenced by an average liquidity ratio of 54.50%, exceeding the minimum regulatory requirements.

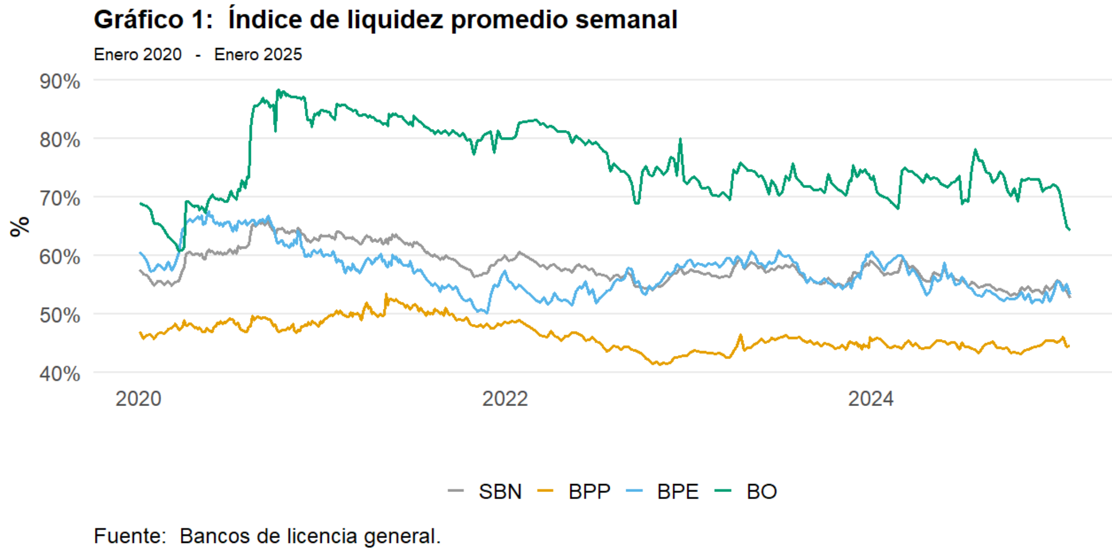
Banks in the system have historically maintained strong liquidity buffers, supported by steady access to both core and wholesale deposits, which remain key components of their funding structure. While wholesale deposits offer cost advantages, they also pose inherent volatility risks during periods of economic uncertainty, highlighting the need for a diversified and proactive liability management approach. The strength of retail deposits reduces exposure to the volatility associated with wholesale funding but requires banks to maintain strong customer relationships and careful management.

Entities operating within the International Banking Center (IBC) are subject to regulatory provisions aligned with Basel III standards. Specifically, the Liquidity Risk Indicator, designed to assess funding capacity under a 30-day stress scenario, shows that Panamanian banks maintain levels above the minimum requirements thanks to prudent management of asset and liability maturities, a diversified funding structure, and high asset quality. Furthermore, compliance with Basel III requirements provides the banking system with a robust capital structure, allowing not only effective short-term liquidity management but also mitigating the risk of structural imbalances amid global volatility.

Currently, the banking system comfortably meets the Liquidity Coverage Ratio (LCR) requirements, with an average level exceeding the regulatory threshold. This level of compliance reinforces the sector's capacity to withstand potential financial market tensions. Although interest rates have begun to decline, easing some funding cost pressures, banks must adjust their strategies to capitalize on this monetary easing environment in developed economies while maintaining prudent management to ensure healthy financial margins and adequate liquidity.

The system's resilience to potential external shocks will depend on its ability to maintain these liquidity buffers at optimal levels, ensuring operational sustainability and responsiveness over the medium and long term.

Graph 1: Weekly Average Liquidity Ratio
January 2020 – January 2025



Source: General license banks.

B. Solvency

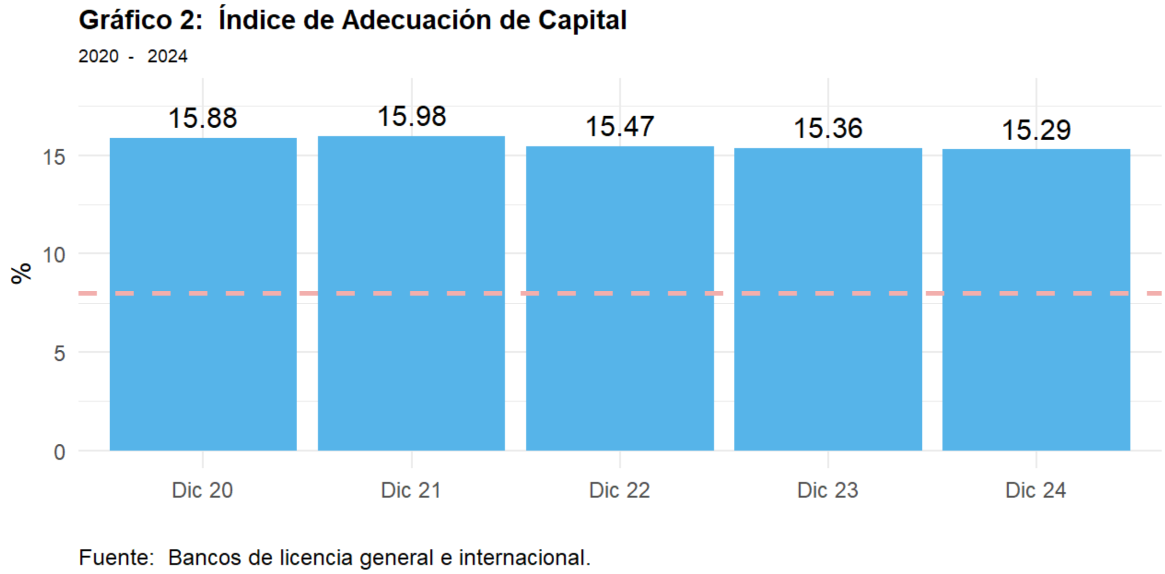
The Capital Adequacy Ratio (CAR) of banks operating within Panama's International Banking Center (CBI) has maintained adequate solvency levels, consistently remaining above the regulatory minimum of 8%. The risk-adjusted CAR stood at 15.29% (see Chart 2), which comfortably exceeds the regulatory threshold and reflects a robust capacity to absorb financial shocks in a volatile economic environment. This level of capitalization provides a sufficient buffer to mitigate unexpected losses, thereby supporting the stability of the banking system.

CAR's evolution in recent years has shown a stable trend, fluctuating within a narrow range (15.36% - 15.98%), indicating prudent capital management by CBI institutions. This stability is particularly significant in the face of global and domestic macroeconomic pressures, where maintaining adequate capital levels is crucial to preserving market confidence and financial resilience.

Looking ahead, proactive risk-weighted asset (RWA) management and the implementation of dynamic capitalization strategies will be essential to sustaining solvency in an uncertain environment. Additionally, CBI banks must remain vigilant to external risks, including changes in global macroeconomic conditions and financial market volatility. These factors could impact capital stability, particularly if adverse scenarios materialize within the local real economy. Continuous risk monitoring and the adoption of preventive measures will therefore be critical to ensuring the sustainability of capitalization levels and the solvency of the banking system in the medium and long term.

In conclusion, while CBI banks have demonstrated a strong ability to maintain adequate capital levels, the evolution of financial and macroeconomic risks will require active and prudent management to safeguard system stability. The ability of institutions to adapt to regulatory and economic changes will be a key determinant of their future performance.

Graph 2: Capital Adequacy Ratio
2020 - 2024



Source: General and international license banks.

C. Balance Sheet

At the end of January 2025, the International Banking Centre (IBC) recorded robust growth in its balance sheet structure, reaching total net assets of USD 154,660.7 million, representing a year-over-year expansion of USD 8,448.6 million or 5.8%. This growth is the result of a strategy aimed at optimizing returns on productive assets, supported by an efficient allocation of capital and prudent financial risk management, which has strengthened the solidity of its capital structure and improved its funding base.

The main driver of this expansion was the net credit portfolio, which recorded a 7.9% year-over-year increase, reaching USD 95,211.4 million. Within this segment, the external credit portfolio recorded a remarkable growth of 14.5%, reaching USD 33,516.8 million, which denotes a geographic diversification strategy in the placement of credit assets. Meanwhile, the domestic loan portfolio maintained solid growth of 4.6%, reaching USD 61,694.6 million, consolidating itself as the key structural component of the credit portfolio. However, greater exposure to external markets introduces additional regulatory and macroeconomic risks, which require continuous monitoring and appropriate mitigation strategies.

From the perspective of the balance sheet composition, net investments in securities grew by 6.0%, reaching USD 34,249.7 million, reflecting a capital allocation strategy focused on optimizing risk-adjusted returns. In contrast, net liquid assets decreased by 0.2%, reaching USD 17,598.0 million, which may indicate a reallocation of resources toward more productive assets. Nevertheless, this reduction in liquidity requires careful management to mitigate potential financial shocks and maintain a balanced risk profile in the current market environment.

In the liabilities segment, deposits continue to be the main source of funding for the CBI, reaching USD 198,795.0 million, with a 4.5% year-over-year growth. Within this category, domestic deposits grew by 5.8%, while foreign deposits expanded by 2.6%, demonstrating a diversified funding strategy. In line with the funding strategy, financial obligations increased by 13.1%, reaching USD 22,904.8 million, reflecting greater leverage through wholesale funding. This increase in financial liabilities could be the result of a cost-optimization strategy in an environment of continuously adjusting interest rates.

The equity of the CBI recorded 6.2% growth, reaching USD 18,518.2 million, slightly exceeding the total asset expansion rate (5.8%). This capital strengthening improves solvency indicators and reinforces the banking system's capacity to absorb adverse financial shocks, ensuring greater long-term stability. The strong equity position also reflects a prudent risk management policy, aligned with international regulatory standards and best practices in the financial sector.

From a macroeconomic perspective, the global environment continues to be characterized by a slowdown in economic growth and the possibility of monetary policy adjustments by the U.S. Federal Reserve (FED). These factors could generate pressures on funding costs, affect interest rate competitiveness, and present additional challenges for raising funds in international markets. Maintaining a flexible funding strategy and active risk management will be key to preserving stability and profitability in an environment of financial volatility and changing market conditions.

In general terms, CBI's performance in January 2025 reaffirms its capacity to efficiently manage its balance sheet, maintaining a focus on profitability without compromising financial stability. However, the ongoing assessment of the global outlook and the implementation of adjustment strategies will be fundamental to mitigating emerging risks and capitalizing on opportunities within an evolving market environment.

Table 1: International Banking Center
Balance Sheet
(In millions of USD)

ACCOUNTS	2024 January	2024 January	Var. Jan 25 / Jan 24 Absolute	%
NET LIQUID ASSETS	17,630.2	17,598.0	-32.2	-0.2%
NET CREDIT PORTFOLIO	88,249.1	95,211.4	6,962.3	7.9%
Domestic	58,964.2	61,694.6	2,730.4	4.6%
Foreign	29,284.9	33,516.8	4,231.9	14.5%
NET INVESTMENTS IN SECURITIES	32,316.1	34,249.7	1,933.6	6.0%
OTHER ASSETS	8,016.7	7,601.7	-415.0	-5.2%
TOTAL NET ASSETS	**146,212.1**	**154,660.7**	**8,448.6**	**5.8%**
Deposits	104,069.2	108,795.0	4,725.8	4.5%
Domestic	63,780.6	67,458.2	3,677.7	5.8%
Foreign	40,288.7	41,336.8	1,048.2	2.6%
OBLIGATIONS	20,248.7	22,904.8	2,656.1	13.1%
OTHER LIABILITIES	4,455.0	4,442.6	-12.3	-0.3%
CAPITAL	17,439.2	18,518.2	1,079.0	6.2%
LIABILITIES AND CAPITAL, TOTAL	**146,212.1**	**154,660.7**	**8,448.6**	**5.8%**

Source: General and International License banks.

Regarding the National Banking System (SBN), total assets reached USD 138,553.7 million in January 2025, representing an increase of USD 9,022.3 million or 7.0% compared to the same month of the previous year. This growth reflects a continued expansion in the asset structure, primarily driven by the increase in the net credit portfolio, which grew by 8.0% (USD 6,505.5 million), reaching USD 87,499.2 million. Within this, the external segment registered a significant increase of 17.1% (USD 3,774.6 million), while the domestic segment grew by 4.6% (USD 2,731.0 million), consolidating itself as the most relevant component of SBN's assets.

Meanwhile, net investments in securities grew by 8.0% (USD 2,170.8 million), reaching USD 29,389.4 million, while net liquid assets increased by 5.6% (USD 785.0 million), standing at USD 14,357.6 million. This variation could reflect a strategy of maintaining liquidity in balance with allocation toward more productive and higher-yielding assets. Furthermore, other assets experienced a 5.3% decrease (USD -411.0 million), showing strategic adjustments in the composition of the balance sheet.

In general terms, this growth in total assets underscores an efficient management of SBN's resources, with a focus on expanding productive assets and diversifying income sources. However, it will be important to monitor the evolution of other assets, given their impact on the balance sheet structure and their possible relation to adjustments in the investment and funding strategy of the banking sector.

Table 2: National Banking System
Balance Sheet
(In millions of USD)

ACCOUNTS	2024 January	2025 January	Var. Jan. 25 / Jan. 24	
			Absolute	%
NET LIQUID ASSETS	**13,599.6**	**14,357.6**	**758.0**	**5.6%**
NET CREDIT PORTFOLIO	80,993.7	87,499.2	6,505.5	8.0%
Internal	58,964.2	61,695.1	2,731.0	4.6%
External	22,029.5	25,804.1	3,774.6	17.1%
INVESTMENTS IN NET ASSETS	27,218.6	29,389.4	2,170.8	8.0%
OTHER ASSETS	7,718.5	7,307.5	-411.0	-5.3%
TOTAL NET ASSETS	**129,530.4**	**138,553.7**	**9,023.3**	**7.0%**
Deposits	91,057.0	96,850.6	5,793.6	6.4%
Internal	63,671.7	67,283.8	3,612.2	5.7%
External	27,385.3	29,566.8	2,181.5	8.0%
OBLIGATIONS	20,159.2	22,274.8	2,115.6	10.5%
OTHER LIABILITIES	4,225.2	4,253.5	28.3	0.7%
CAPITAL	14,089.0	15,174.8	1,085.8	7.7%
LIABILITIES AND CAPITAL, TOTAL	**129,530.4**	**138,553.7**	**9,023.3**	**7.0%**

Source: General License banks.

D. Income Statement

On the income side, as of January 2025, the International Banking Center (IBC) recorded profits of USD 252.5 million, representing a year-over-year increase of 0.18% compared to January 2024. This result, although moderate, was driven by strong performance in other income, which grew by 7.26% (to USD 264.1 million), partially offsetting a 9.2% decline in net interest income (from USD 295.6 million to USD 268.4 million).

In terms of operating income, a slight year-over-year decrease of 1.71% was recorded, falling from USD 541.8 million in January 2024 to USD 532.5 million in January 2025. General expenses totaled USD 245.8 million, a reduction of 2.38% from the previous year, reflecting relatively efficient cost management and the adoption of digital tools that support cost containment.

Pre-provision profits declined by 1.13%, reaching USD 286.7 million. Meanwhile, loan-loss provisions (set aside for impaired loans) decreased by 9.82%, suggesting prudent credit risk management. As a result, net income for the period increased by 0.18%, holding steady at approximately USD 252.5 million.

This performance highlights increasing pressure on margins due to persistently high interest rates. The decline in net interest income confirms a compression in the net interest margin, driven by the lower downward elasticity of funding costs compared to lending rates. In light of potential future cuts to international benchmark rates, a lag in the reduction of funding costs is likely to persist, requiring active management of the intermediation spread and ongoing monitoring of repricing gaps.

In the medium and long term, optimizing the funding structure and diversifying sources of income will be key to sustaining profitability. Controlling general expenses and investing in technology—both to improve operational efficiency and to enhance cybersecurity—will continue to be crucial elements for the competitiveness and financial stability of the banking system. Likewise, a prudent provisioning policy is expected to continue strengthening the system's risk profile in the face of potential asset quality deterioration.

Table 3: National Banking System
Cumulative Income Statement
(In million of USD)

ACCOUNTS	2024 January	2025 January	Var. Jan 25 / Jan 24	
			Absolute	%
C. Net interest income	295.6	268.4	-27.1	-9.2%
D. Other income	246.2	264.1	17.9	7.26%
E. Operating income	541.8	532.5	-9.3	-1.71%
F. General Expenses	251.8	245.8	-6.0	-2.38%
G. Profit before provisions	290.0	286.7	-3.3	-1.13%
H. Bad debt	38.0	34.2	-3.7	-9.82%
I. Profit for the period	**252.0**	**252.5**	**0.5**	**0.18%**

Source: General License banks.

As of January 2025, the National Banking System (NBS) reported net profits of USD 224.3 million, marking a year-over-year increase of 1.3% compared to the same month in 2024. This performance was affected by an -8.7% decline in net interest income (to USD 239.2 million), while other income rose by 5.3% (reaching USD 245.2 million). Overall operating income totaled USD 484.3 million, down -2.1% from January 2024, reflecting an environment of margin pressure amid still-elevated interest rates.

General expenses decreased by -4.8%, standing at USD 225.2 million—evidence of efficient operational cost management and continued progress in digital transformation. This expenditure control has allowed the banking sector to mitigate inflationary pressures and improve operational efficiency, while also strengthening the adoption of digital solutions and cybersecurity measures.

A notable highlight is the evolution of pre-provision profits, which grew by 0.3% to USD 259.2 million, underscoring the system's resilience in the face of margin compression. Loan-loss provisions decreased by 5.4%, reaching USD 34.8 million, reflecting a conservative credit risk coverage policy that contributes to the banking system's overall soundness.

Looking ahead, the NBS will need to deepen its diversification of income sources and strengthen asset quality indicators, while maintaining a digitalization strategy that enables agile responses to shift in the economic and regulatory landscape. Strengthening the cost structure and consolidating larger and better-capitalized players will also be key factors in preserving financial stability and competitiveness in a constantly evolving market. In summary, each institution's ability to adapt to a challenging environment, manage risks effectively, and capitalize on innovation-driven opportunities will be crucial for the banking sector's performance and resilience over the medium and long term.

Table 4: National Banking System
Cumulative Income Statement
(In millions of USD)

ACCOUNTS	2024 January	2025 January	Var. Jan 25 / Jan 24 Absolute	%
C. Net interest income	262.0	239.2	-22.9	-8.7%
D. Other income	232.9	245.2	12.3	5.3%
E. Operating income	494.9	484.3	-10.6	-2.1%
F. General Expenses	236.6	225.2	-11.4	-4.8%
G. Profit before provisions	258.3	259.2	0.9	0.3%
H. Bad debt	36.8	34.8	-2.0	-5.4%
I. Profit for the period	**221.5**	**224.3**	**2.9**	**1.3%**

Source: General License banks.

E. Profitability indicators

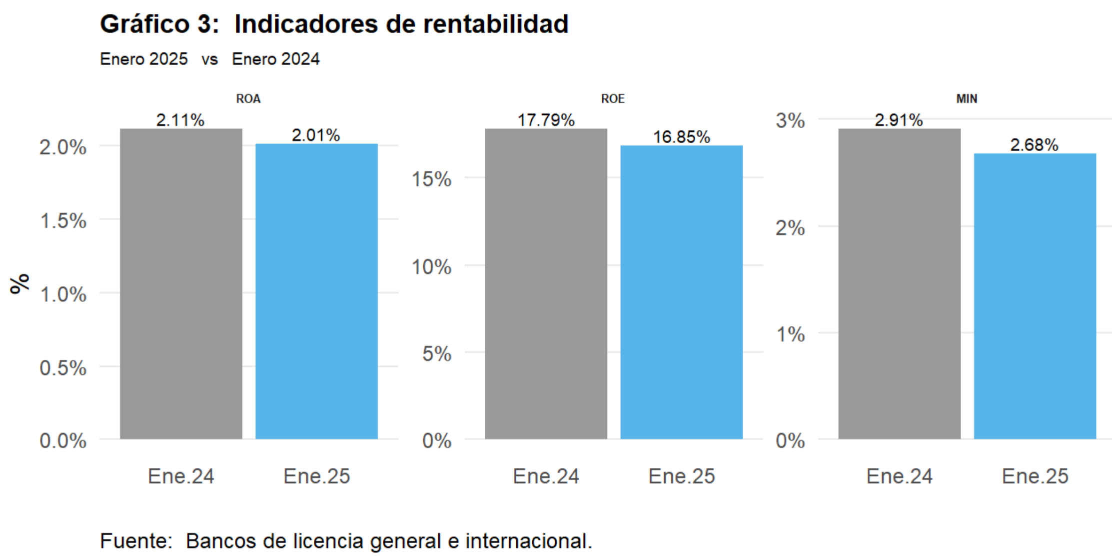
In terms of profitability indicators, a slight decline is observed across the main ratios, reflecting a tighter margin environment and persistently high funding costs. As of January 2025, the Return on Equity (ROE) stood at 16.85%, representing a decrease of 0.94 percentage points compared to January 2024 (17.79%). Similarly, the Return on Assets (ROA) reached 2.01%, showing a slight contraction of 0.10 percentage points from the 2.11% recorded in the previous year.

The Net Interest Margin (NIM) also experienced a decline, standing at 2.68% in January 2025, down from 2.91% in the same month of 2024. This drop reflects continued pressure on financial margins, likely driven by interest rate competition, higher funding costs, and repricing strategies adopted by banks to preserve profitability.

Despite the reduction in ROA, ROE, and NIM, institutions have managed to maintain an adequate level of profitability, suggesting that they have offset margin pressure through operational efficiencies and greater diversification of non-financial income. However, the compression of the intermediation margin underscores the importance of an active asset and liability management strategy, particularly in a context of macroeconomic uncertainty and interest rate market volatility.

To mitigate these effects, it is essential for banking institutions to continue strengthening the diversification of income sources, with an emphasis on value-added products, digital services, and optimization of funding structures. Likewise, control of operating and financial costs will remain key to sustaining the profitability of the banking system amid technological transformation and changes in global monetary policy.

Graph 3: Profitability Indicators
January 2025 vs. January 2024



Source: General and international license banks.

F. Credit

As of the end of January 2025, the gross domestic credit portfolio of the National Banking System reached a balance of USD 63,624 million, representing a 4.3% (or USD 2,362 million) increase compared to the same period of the previous year. This growth is largely due to increased demand for financing from the commercial and personal consumption sectors, as well as an environment that has allowed banks to expand their credit offerings.

Table 5: Domestic Credit - National Banking System
(In millions of USD)

Sector	2024 January	2025 January	Δ absolute USD	Δ relative %
TOTAL	**60,992**	**63,624**	**2,632.0**	**4.3%**
Public sector	**1,539**	**1,935**	**396.4**	**25.8%**
Private sector	**59,453**	**61,689**	**2,235.7**	**3.8%**
Financial and insurance act.	1,932	2,024	92.0	4.8%
Agriculture	496	598	101.8	20.5%
Livestock	1,307	1,300	- 7.1	-0.5%
Fishing	117	88	- 29.2	-25.0%
Mining and Quarrying	58	41	- 16.7	-28.9%
Commerce	12,213	13,187	973.6	8.0%
Industry	3,871	4,123	251.8	6.5%
Mortgage	20,631	21,123	492.2	2.4%
Construction	5,011	4,932	- 79.1	-1.6%
Personal Consumption	13,816	14,272	456.4	3.3%

Source: General License banks SBP data

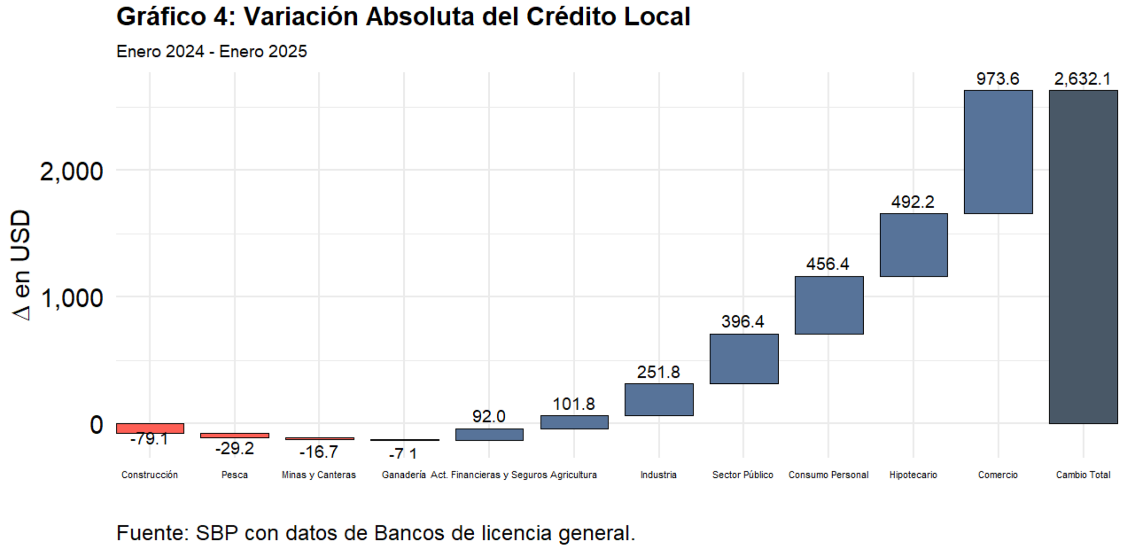
This growth was primarily driven by the dynamism in the Trade (+8.0%) and Personal Consumption (+3.3%) segments, reflecting improved demand for these key sectors of the credit portfolio. Likewise, lending to the Public Sector showed a notable increase of 25.8%, evidencing increased demand for financing from government entities.

However, some sectors registered contractions. Fishing saw a 25.0% decrease (USD 29.2 million), affected by adverse weather conditions and structural limitations specific to the sector. Similarly, Mining and Quarrying fell 28.9% (USD 16.7 million), and Livestock fell 0.5% (USD 7.1 million). The Construction segment also showed a negative variation of 1.6% (USD 79.1 million), reflecting the persistent challenges in the reactivation of the real estate and infrastructure sectors.

This growth in the loan portfolio is due to a combination of factors, including gradual improvements in financing conditions, increased business confidence, and a macroeconomic environment that, although moderate, has provided room for expansion in lending activity.

In this context, it is important for financial institutions to strengthen their origination capabilities, optimize risk segmentation, and diversify their commercial strategy to safeguard the solvency of the system and mitigate potential deteriorations in asset quality in a global environment of high uncertainty. At the end of January 2025, loan issuance decreased by 14% year-over-year.

Graph 4: Absolute variation of domestic credit
January 2024 vs. January 2025



Source: General License banks SBP data

As of January 2025, the CBI's non-performing loans (NPLs) ratio stood at 2.23% of the total, improving by 0.17 percentage points (p.p.) compared to the 2.40% recorded in January 2024. At the same time, NPLs decreased to 1.43%, representing a 0.20 p.p. decrease compared to 1.63% the previous year. These improvements contribute to greater recovery capacity and more efficient management of problem loans. Meanwhile, provision coverage for NPLs reached 102.63%, demonstrating the system's robustness in absorbing expected losses and reinforcing the preventive approach to risk management.

This increase in coverage is aligned with the regulatory requirements established by the SBP, which promote the recognition of expected credit losses under a forward-looking approach, considering both macroeconomic scenarios and the full life cycle of loans. These positive results reflect the implementation of more robust risk management practices, the effective application of loan restructuring strategies, and the partial recovery of the payment capacity of some large clients, despite the less dynamic economic environment. However, significant risks persist in sectors with continued deterioration, which increases the vulnerability of the loan portfolio. To maintain credit quality over the medium term, it is essential to strengthen portfolio management in higher-risk sectors. A prudent approach in the corporate and household segments will be key to preserving the stability and soundness of the banking system, especially in a global context characterized by high economic uncertainty.

The economic environment and credit conditions will continue to be decisive in sustaining these positive trends. Consolidating responsible financing policies, along with rigorous oversight, will not only strengthen confidence in the financial system but also boost economic growth.

G. Deposits

International Banking Center (IBC)

In January 2025, the International Banking Center (IBC) recorded a year-on-year growth of 4.5% in the balance of bank deposits, reaching a total volume of USD 108,795.5 million. This growth was supported by two main pillars: a 5.8% increase in domestic deposits, which totaled USD 67,458.2 million, and a 2.6% increase in foreign deposits, amounting to USD 41,336.8 million.

Table 7: International Banking Center
Total Deposits
(In millions of USD)

Accounts	2024 January	2025 January	Var. Dec 24 / Dec 23 Absolute	%
TOTAL DEPOSITS	**104,069.2**	**108,795.0**	**4,725.8**	**4.5%**
Domestic	**63,780.6**	**67,458.2**	**3,677.7**	**5.8%**
Government	12,879.7	13,138.7	259.0	2.0%
Customer	47,699.9	51,093.9	3,394.0	7.1%
Banks	3,201.0	3,225.6	24.6	0.8%
Foreign	**40,288.7**	**41,336.8**	**1,048.2**	**2.6%**
Government	336.5	240.1	-96.4	-28.7%
Customers	31,566.5	31,598.6	32.1	0.1%
Banks	8,385.7	9,498.1	1,112.5	13.3%

Source: General and International License banks.

At the local level, domestic deposits grew by USD 3,677.7 million compared to the same month of the previous year. This increase breakdown into a 2.0% rise in domestic official deposits, totaling USD 13,138.7 million, and a 7.1% increase in private sector deposits, which reached USD 51,093.9.1 million. Likewise, local interbank deposits grew by 0.8%, totaling USD 3,225.6 million. These advances contributed positively to the overall growth of domestic deposits.

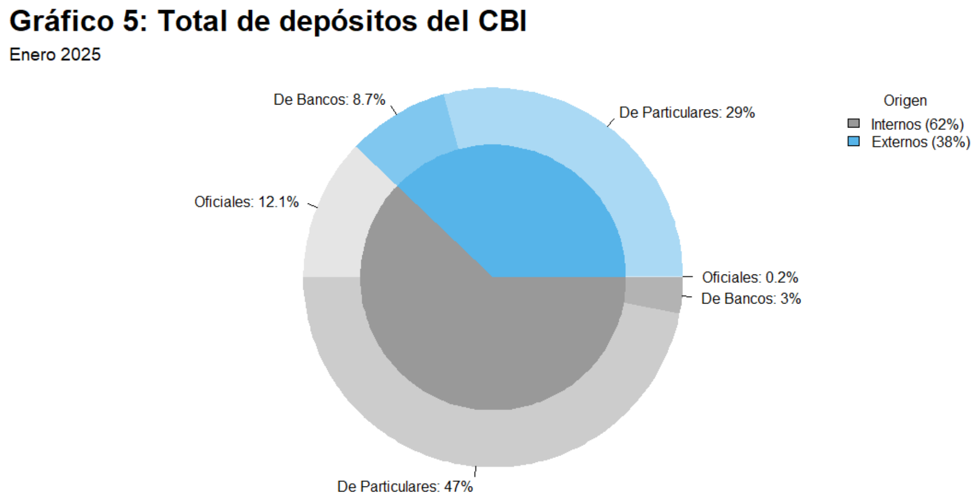
Regarding the capture of foreign deposits, Panama’s IBC reached a total of USD 41,336.8 million in January 2025, reflecting the continued confidence of investors and foreign entities in the Panamanian banking system. However, external official deposits decreased by 28.7%, reaching USD 240.1 million. On the other hand, external individual deposits registered a slight increase of 0.1%, reaching USD 31,598.6 million, while deposits from external banks increased significantly by 13.3%, totaling USD 9,498.1 million. This last segment continues to demonstrate that international financial institutions maintain their preference for Panama as a safe and attractive destination for their assets.

It is worth noting that the contribution of foreign deposits to the absolute increase in total deposits (USD 1,048.23 million, equivalent to 22.2% of total growth) underscores the importance of this segment in the International Banking Center's funding structure. These funds mainly come from interbank financing and credit lines granted by international financial institutions, highlighting the need to assess their sustainability and long-term dependence. This is particularly relevant in a country like Panama, which operates without a central bank. The above highlights the importance of maintaining a solid and diversified funding base, since the absence of monetary institutions increases the dependence on international capital flows as a support for the system's liquidity.

In this context, a reliable legal environment, backed by a stable regulatory framework and the careful adoption of new provisions, stands as a fundamental pillar to guarantee the sustained capture and retention of these flows, thus reinforcing stability and confidence in the financial system. The implementation of continuous monitoring, accompanied by policies that strengthen legal certainty and promote the diversification of external funding sources, will be decisive to mitigate risks associated with the volatility of international markets. In addition, these measures will help ensure the sustainability of the banking system in the medium and long term, allowing Panama to consolidate its position as a competitive and reliable financial center in a global environment characterized by high uncertainty and changing commercial and financial dynamics.

Summarizing, it is concluded that, at the end of January 2025, the composition of the Panama CBI deposits shows a solid basis of internal deposits, particularly individuals (USD 51,093.9 million), complemented by significant external deposits (USD 31,598.6 million in particular and USD 9,498.1 million banks). This profile reflects a level of confidence sustained in the banking system, while highlighting the relevance of maintaining balanced liabilities and adequate diversification of financing sources. Likewise, constant monitoring of the macroeconomic and regulatory environment is essential to identify the need for adjustments in the funding and risk management, with the aim of mitigating negative impacts and preserving the financial stability of the entities and the CBI.

Graph 5: Total Domestic Deposits of the IBC
January 2025



Source: General license banks.

- **National Banking System (NBS)**

Panama's National Banking System (NBS) has demonstrated solid performance in January 2025, aligning with the positive trends observed in the International Banking Center (IBC). During this period, total deposit volume reached USD 98,850.6 million, reflecting a year-on-year growth of 6.4%. This increase underscores the sustained confidence in the Panamanian banking system despite challenging macroeconomic conditions in the region.

Domestic deposits grew by 5.7% year-on-year, reaching USD 67,283.8 million. This growth was primarily driven by a 7.1% increase in domestic individual deposits, which amounted to USD 51,093.9 million. However, domestic official deposits recorded a 2.0% increase, totaling USD 13,138.7 million, while domestic bank deposits grew by -1.3%, reaching USD 3,051.2 million.

Meanwhile, foreign deposits exhibited more dynamic growth, increasing by 8.0% year-on-year to USD 29,566.8 million. This growth was mainly driven by an 16.1% rise in foreign bank deposits, which reached USD 9,014.1 million, and a 5.3% increase in foreign individual deposits, totaling USD 20,371.7 million. However, foreign official deposits declined by -32.9%, standing at USD 180.9 million, which may reflect shifts in liquidity strategies among foreign official entities.

Looking ahead, the stability and growth of the NBS will continue to support the credit position of Panama's banking system, setting its role as a key player in the region's financial system. However, continuous monitoring of international capital flows and risks associated with the concentration of both foreign and domestic deposits will be necessary to ensure long-term banking system stability.

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

Accounts	2024 January	2025 January	Var. Dec 24 / Dec 23 Absolute	%
TOTAL DEPOSITS	**91,057.0**	**96,850.6**	**5,793.6**	**6.4%**
Domestic	**63,671.7**	**67,283.8**	**3,612.2**	**5.7%**
Government	12,879.7	13,138.7	259.0	2.0%
Customers	47,699.9	51,093.9	3,394.0	7.1%
Banks	3,092.1	3,051.2	-40.9	-1.3%
Foreign	**27,385.3**	**29,566.8**	**2,181.5**	**8.0%**
Government	269.7	180.9	-88.8	-32.9%
Customer	19,349.9	20,371.7	1,021.9	5.3%
Banks	7,765.8	9,014.1	1,248.3	16.1%

Source: General License banks.

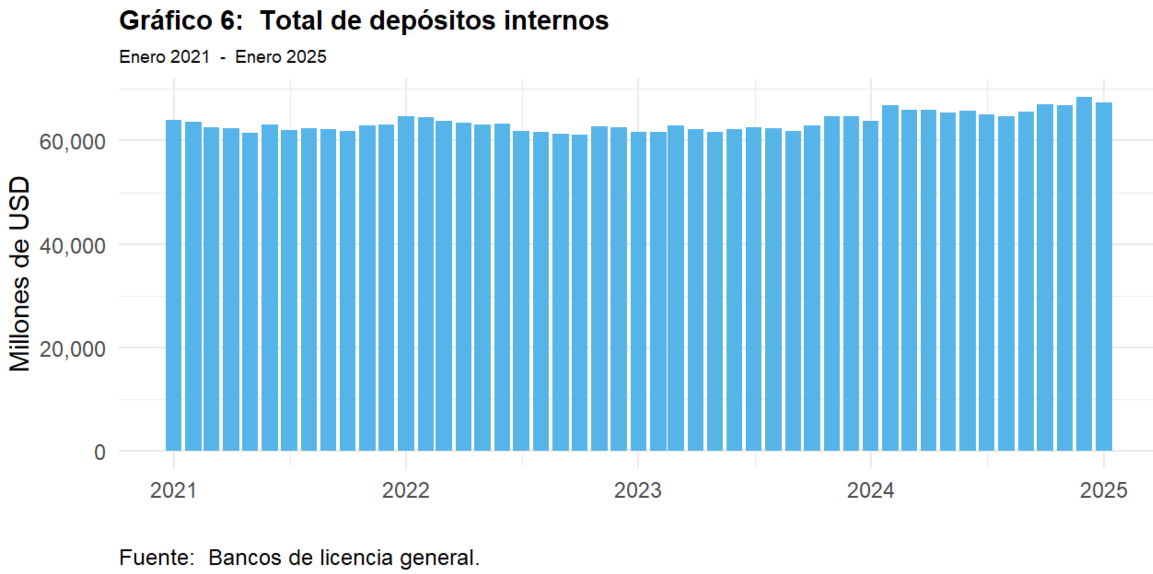
Graph 7 illustrates the evolution of the balance of domestic deposits over time, highlighting key trends and depositors' behavior patterns. The base of individual deposits not only underscores trust in the National Banking System (NBS) but also plays a crucial role in the system's liquidity. A broad and stable deposit base allows banks to more efficiently manage their short-term obligations and facilitate long-term investments.

With greater deposit stability, financial institutions can better plan their growth and expansion strategies, as well as offer more attractive and diversified financial products to their customers. This high proportion of domestic deposits underscores residents' confidence in the national banking system and their willingness to keep their savings and financial resources within the country. Such confidence is a positive indicator of the public's perception of the NBS's soundness and stability.

Coherent with previous reports, the collection of time deposits remains the main driver of dynamism for banks in the market, consolidating its position as a key funding source. As of January 2025, domestic time deposits grew by 11.51% year-on-year, reaching USD 28,830.8 million, while external time deposits showed a slight decline of -0.17%, standing at USD 22,383.7 million. This behavior suggests a continued preference for higher-yield instruments in the local market. However, a potential adjustment in international interest rates could slow this growth, redirecting flows toward more liquid products.

In contrast, demand deposits showed marginal variations. On the domestic side, they remained virtually unchanged, going from USD 8,963.0 million to USD 8,962.6 million, while in the external segment, there was a slight increase of 0.06%, from USD 4,627.7 million to USD 4,630.4 million.

Graph 6: Total domestic Deposits
January 2021 – January 2025

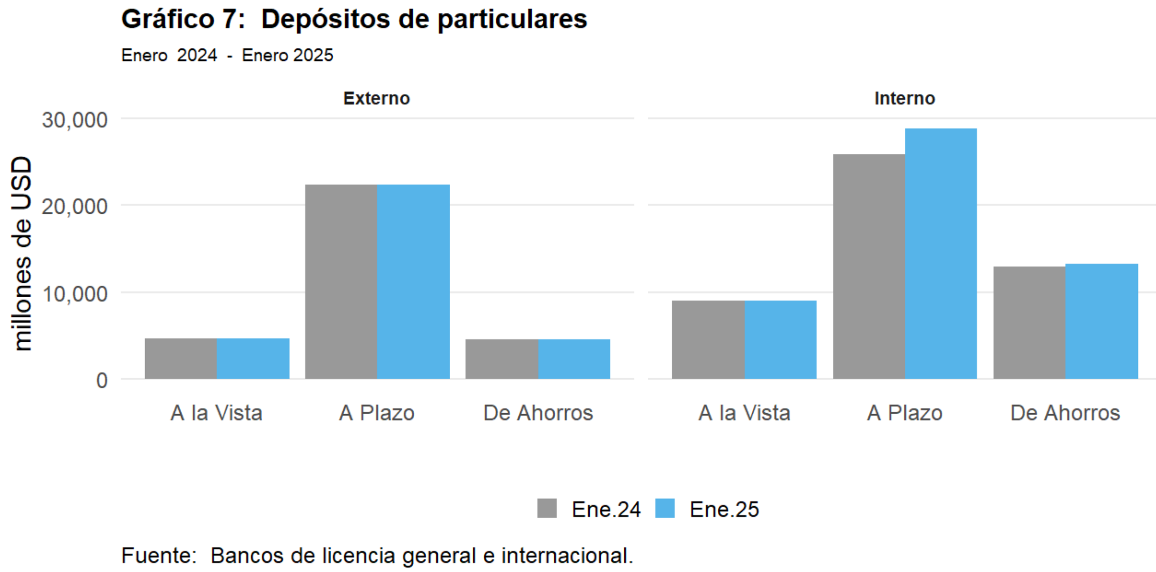


Source: General and International license banks.

Meanwhile, savings deposits performed more steadily across both segments. Domestic savings deposits increased by 3.27%, from USD 12,879.5 million to USD 13,300.6 million, while external savings deposits rose by 1.49%, from USD 4,517.1 million to USD 4,584.5 million.

Overall, Panama's banking system continues to benefit from depositors' confidence, supported by a diversified funding base. Moving forward, it will be important to closely monitor international capital flows and adjust deposit-taking strategies in a potentially shifting interest rate environment. This approach will be key to ensuring the system's medium- and long-term stability and competitiveness.

Graph 7: Total domestic Deposits
January 2024 – January 2025



Source: General and International license banks.

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