Superintendencia
de Bancos de Panamá

Banking Activity Report

February 2022

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Executive Summary

As of February 2022, the Panamanian Banking Center maintained a solid, resilient position, with capital and liquidity levels above regulatory minimums. The latest global capital ratio showed 15.9%, almost double the regulatory minimum of 8%. This performance was based on solid regulatory parameters that have been strengthened by regulatory mandates since before the pandemic. In terms of liquidity, the Banking system reached 63.4%, more than double the legally required as well. Along these lines, it should be remarked that the banks' liquidity position is solid and has been strengthened through the LCR implementation, while deposits have remained in the growth trend showed in recent months, with which the entities ability to meet short- and long-term obligations have been preserved.

During the surveyed period, it was possible to prove the increasing volume of credit operations, leveraged by deposits and other sources of stable funding that grew during the period.

The assets of the International Banking Center totaled USD 134.94 billion, a USD 4.71 billion increase versus February 2021, i.e. a year-on-year growth of 3.6%, which is the result of increases in the net loan portfolio and the securities portfolio. On the liquid assets' side, although they fell short, both the balance of cash and cash equivalents continued at a high level in a broad time frame.

In February 2022, the domestic loan portfolio recorded a total of USD 55.42 billion, a USD 1.27 billion or 2.3% increase. In the recovery activity, measured in twelve months, even though it is asymmetrical between portfolios, it was possible to observe that corporate and consumer loans have been consolidating. The new loans processed by banks, as of February 2022, totaled USD 3.12 billion, a year-on-year increase of 57%.

As for the modified [loan] portfolio, it followed the trend observed at the end of 2021. Said portfolio, that reached its highest in August 2020 (marking a 51.6% share of the total loan portfolio), represented 13.7% of the total loan portfolio in February 2022. The modified [loan] portfolio at the end of the month totaled USD 7.61 billion. Although there have been some improvements in its performance, there are relatively high components where there could a risk of potential impairment. Even though that, at this juncture, financial institutions fixed provisions since before the pandemic and have kept them high, recognizing that there is still room for losses to be recorded, the SBP will continue to closely monitor the conclusion of this program during the 1Q2022.

The International Banking Center recorded net profits, as of February 2022, of USD 325.3 million, USD 130.5 million more than on the same date in 2021, a year-on-year growth of 67%. In addition to receiving the profits generated abroad by an international license bank, the profits for the period responded significantly to an increase in other income (+38.8%) and net interest income (+6.3%) in their portfolio interest income and securities, where the performance of the latter showed positive yields, mainly by bondholding or instruments at fair value and the purchase and sale of foreign currency. The foregoing would show that volatility effects of the financial markets are being mitigated by the short lifespan of the securities portfolio.

Deposits placed in the market, as of February 2022, recorded a total of USD 98.55 billion, a USD 2.62 billion increase compared to February 2021. If the analysis is focused on domestic deposits, they recorded an increase, as of February 2022, to reach to USD 64.59 billion, a 1.6% growth versus February 2021. On the other hand, external deposits recorded an increase of USD 1.62 billion, totaling USD 33.97 billion. In nominal terms, the highest deposit growth came from Peru, Colombia, and Chile.

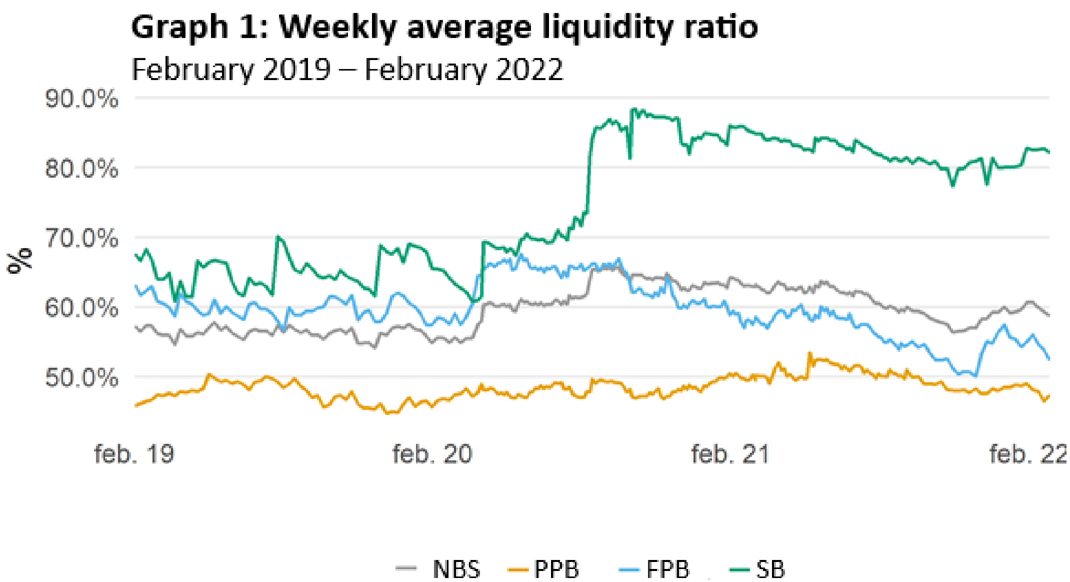
Customers demand deposits (+3.4%) and savings deposits (+11.7%) held by the financial system grew. In this way, a rearrangement of bank deposits continued to be recorded, by increasing the collection of demand accounts as depositors sought to have greater availability and liquidity of their resources. Although it is still premature to point out trend changes in term deposits, it seems that the expected increase in deposit interest rates could raise the cost of maintaining liquid resources. However, now, it is not estimated that this trend change will be that significant that will increase the cost of deposits for the banking system in the short-term. Customer domestic and external fixed-term deposits increased by 2.1% and 5.7%, respectively.

It is concluded that given that the Panamanian financial system has continued to show resilience and an overall solid position, it is able to support the pace, scope, and robustness necessary for economic recovery. However, the uncertainty caused by credit risk will be the main vulnerability for the stability of the financial system in the medium-term. Similarly, there are other short-term challenges, both for financial entities and for the SBP, among which are to finish recognizing the impairment of modified loans, maintaining the capitalization of profits to continue having capital strength, and continuing with the process of gradual removal of temporary regulatory flexibilities to be concluded during 1Q2022. Additionally, new external macro financial threats with the potential to increase the risk level of both the credit and market risks are in sight. These risks will be further addressed in the Financial Stability Report to be published soon.

A. Liquidity

As of February 2021 (sic), the liquidity of the Banking System reached 63.4%, more than double the regulatory minimum. The domestic banking system has recorded a more comfortable liquidity position since March 2020 (**see Graph 1**), as a result of the accumulation of short-term assets in a high uncertainty context, which responded to the comprehensive strategy of caring for the quality of assets, provisioning, and expanding liquidity, guided by prudential principles promoted by the Superintendency.

In relation to liquidity to date, although there has been certain decrease in ratios versus the levels they reached in 2020, the financial system maintained adequate liquidity levels at the aggregate level, with sufficient resources to meet its short-term needs and which, in turn, will make it easier to resume credit growth. The decrease recorded reflect great loan disbursement.



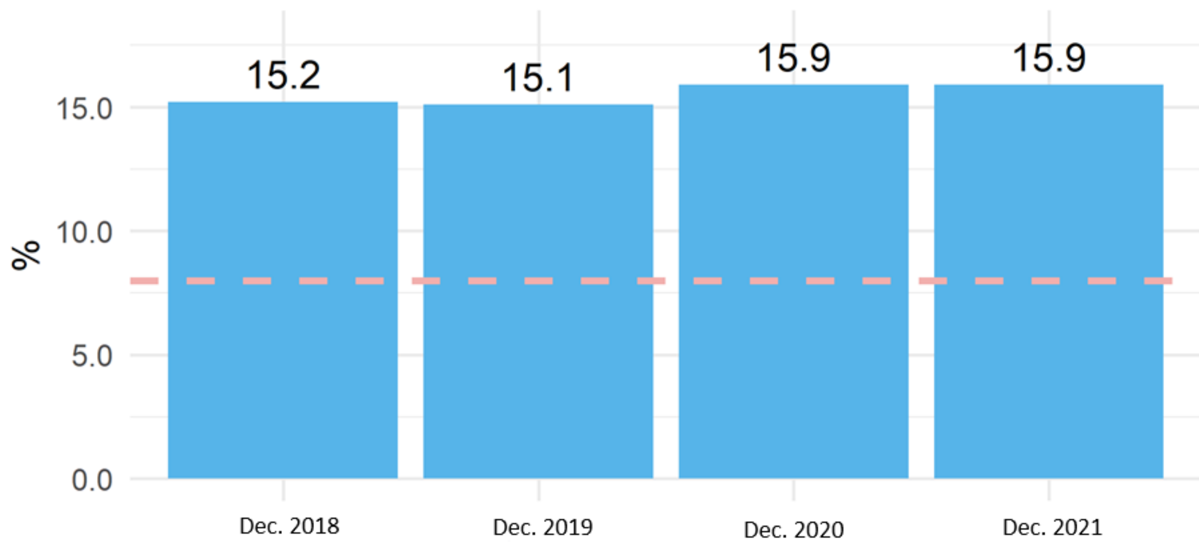
Source: General License Banks

It should be noted that banking in Panama has maintained abundant liquidity levels since before the pandemic, which has been an important factor in coping with the effects of the complicated situation we have had since March 2020. The foregoing is explained, in part, because banks increased their liquidity reserves, because of the implementation of the Rule on Liquidity Coverage Ratio (LCR). The LCR and high-quality liquid assets (HQLA) requirements are especially relevant given the absence of a central bank and a deposit guarantee, which is why this provision has remained in place in the context of the COVID-19 contingency. The regulations set December 2021 as the deadline to comply with the LCR established in the Rule. To date, the banks running operations comply with the applicable provisions in this regard, in accordance with the corresponding brackets.

B. Solvency

The capital adequacy ratio on risk-weighted assets was 15.9% as of the end of 2021 (**see Graph 2**), because of higher capital growth in relation to regulatory requirements, this represents twice the regulatory minimum of 8%. This increase can be explained by the recapitalization of some entities, the reduction in the payment of dividends, and the lower balance of assets subject to risk. Currently, all banks running operations comply with bank capital regulatory standards.

Graph 2: Capital Adequacy Ratio
Dec. 2018 – Dec. 2021



Source: General and International License Banks

C. Income Statement

The International Banking Center recorded net profits, as of February 2022, of USD 325.3 million or USD 130.5 million more than on the same date of 2021, i.e. a year-on-year growth of 67%. In addition to receiving profits produced abroad by an International License bank, the profits for the period responded significantly to the increase in other income (+38.8%) and net interest income (+6.3%) in its portfolio interest income and securities income, where the performance of the latter showed positive yields mainly by bondholding or instruments at fair value and the purchase and sale of foreign currency. The foregoing would show that volatility effects in financial markets are being mitigated by the low duration of the securities portfolio.

The growth in business volume made it possible to withstand the current low interest rates in the market, as well as greater provisioning that were budgeted both due to the evolution of new placements and the pandemic effect. In fact, provisioning expenses increased during the period (0.6%), which would preliminarily show that banks, perceiving an increase in delinquency, began to fix provisions to ensure proper management versus debtors' payment behavior for the different loan portfolios and disclosing in their balance sheets the levels of portfolio impairment in a manner consistent with expectations and requirements.

With these results, the profits of the banking center so far this year outperform USD 325.3 million, which represented an increase of almost USD 130 million in just two months, and would be, for the moment, in line with pre-pandemic results, although driven by non-recurring financial operations.

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

International Banking Center	Jan.-Feb. 2021	Jan.-Feb. 2022	% Diff.	Total Diff.
Net interest income	369.6	392.8	6.3%	23.15
Other income	338.4	469.8	38.8%	131.41
Operating income	708.0	862.6	21.8%	154.56
General expenses	381.3	404.5	6.1%	23.23
Profit before provisions	326.8	458.1	40.2%	131.33
Bad debt provision	132.0	132.8	0.6%	0.84
Profit for the period	194.8	325.3	67.0%	130.49

Source: General and International License banks.

The National Banking System recorded accumulated net profits, as of February 2022, of USD 165.4 million, 4.1% more than that of February 2021. Like what happened in the IBC, lower provisioning had a positive impact on the sector's profit.

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

National Banking System	Jan.-Feb. 2021	Jan.-Feb. 2022	% Diff.	Total Diff.
Net interest income	350.9	368.5	5.0%	17.64
Other income	287.7	308.5	7.2%	20.84
Operating income	638.6	677.0	6.0%	38.47
General expenses	348.4	378.2	8.6%	29.84
Profit before provisions	290.2	298.8	3.0%	8.63
Bad debt provision	131.2	133.4	1.6%	2.17
Profit for the period	158.9	165.4	4.1%	6.46

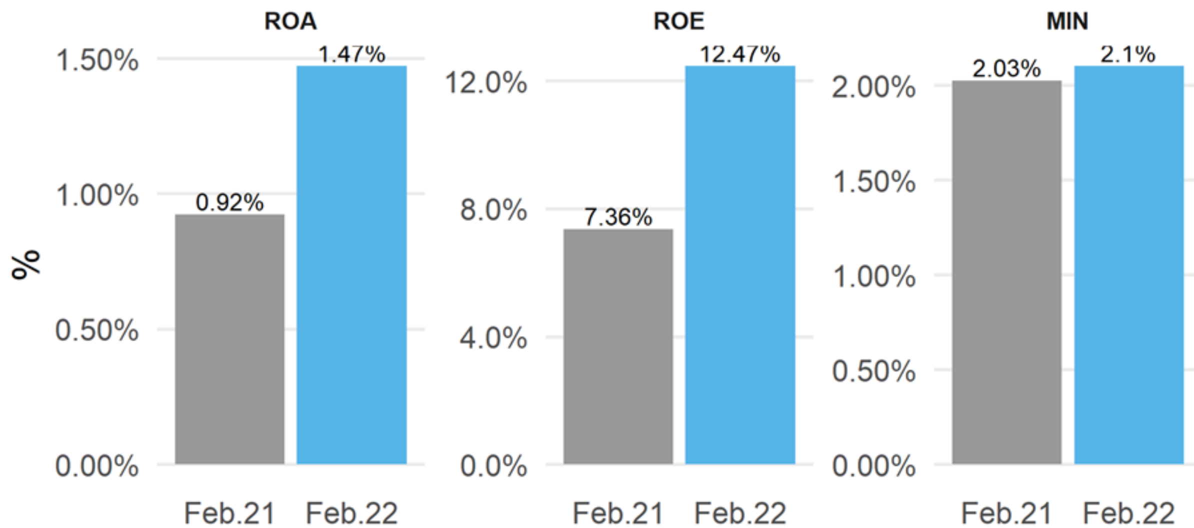
Source: General license banks.

Thus far, the NBS will not record financial margins like pre-pandemic ones, although, a month-by-month loan improvement is seen, which in turn will produce higher levels of financial income. Banks in the system are expected to continue with cost control and operational efficiency strategies. Currently, IBC efficiency levels are around 52%.

D. Profitability indicators

The increase in profits implied that IBC's return on average equity went up to 12.47% (7.36% February 21) and return on assets, 1.47% (0.92% February 21). Although this result is positive, it is noteworthy that it is asymmetrical among credit entities, and there are still challenges to be faced, among which are to finish recognizing the impairment of modified loans, maintaining the capitalization of profits to continue having capital strength, and continuing with the process of gradual removal of temporary regulatory flexibilities to be concluded during 1Q2022.

Graph 3: Profitability Indicators - IBC
February 2021 – February 2022



Source: General and International License banks

E. Balance Sheet

The assets of the International Banking Center totaled USD 134.94 billion, a USD 4.71 billion growth versus February 2021, a year-on-year growth of 3.6%, which is the result of increases in the net loan portfolio (4.6%) and the securities portfolio (13.6%). On the liquid assets' side, although they fell short (-8.2%), both the balance of cash and cash equivalents continued at a high level in a broad time frame. It should be remarked that the banks' liquidity is solid and has strengthened, as deposits have continued the growth path shown in recent months, which reflected abundant liquidity in the banking system.

Regarding the net loan portfolio, as of February 2022, the International Banking Center grew 4.6% to reach to USD 75 billion. As for the credit demand recovery rate, this has been asymmetrical between portfolios, but it would already show a positive performance in the aggregate. Another important factor that contributed to the growth of IBC lending operations was the shift of liquid assets and loan flows to the securities portfolio, which amounted to USD 28.38 billion, a USD 3.39 billion rise. So far this year, this component recorded a positive performance (a year-on-year increase of 13.6%).

The evolution of liabilities is especially related to the performance of its main component: deposits. Regarding bank financing sources, deposits recorded an increase of USD 2.62 billion (2.7%), which is the result of the performance of growing domestic deposits (1.6% or USD 1.1 billion) and external deposits (5.0% or USD 1.62 billion) in nominal terms. As main components, customer deposits can be highlighted as the most liquid one. The deposits of the International Banking Center as of February 2022 amounted to USD 98.55 billion. It should be noted that the performance of customer deposits – both by domestic and external depositors – can be understood as that they have remained confident on the stability of the banking system, which is reflected in greater funding of establishments. As indicated in previous reports, bank liabilities showed a rearrangement towards more liquid instruments. Although it is still premature to point out trend changes in fixed term deposits, it seems that the expected increase in deposit interest rates could raise the cost of maintaining liquid resources. However, now, it is not estimated that this trend change will be that significant that will increase the cost of deposits for the banking system in the short-term.

On the other hand, obligations and other liabilities presented increases of 10.8% and 1%, respectively, versus February 2021. It is worth noting that, although bank deposits are historically high and are the core component of the loan portfolio, the net income collected by these instruments is more focused on investments in physical assets and capital goods, the integration of working capital, the refinancing of liabilities, and the integration of capital contributions in controlled or related ventures.

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

Breakdown	2020	2021	Feb. 22/Feb. 21 Difference	
	February	February	Total	%
Liquid assets	26,670.1	24,496.0	-2,174.0	-8.2%
Net loan portfolio	71,696.9	75,000.4	3,303.5	4.6%
Domestic	*52,193.3*	*53,095.2*	*901.9*	*1.7%*
External	*19,503.6*	*21,905.3*	*2,401.7*	*12.3%*
Securities	24,985.5	28,372.2	3,386.7	13.6%
Other assets	6,874.0	7,067.2	193.2	2.8%
Total Assets	**130,226.5**	**134,935.8**	**4,709.4**	**3.6%**
Deposits	95,926.8	98,545.1	2,618.3	2.7%
Domestic	*63,580.2*	*64,584.4*	*1,004.2*	*1.6%*
External	*32,346.6*	*33,960.6*	*1,614.1*	*5.0%*
Obligations	15,111.6	16,742.5	1,630.9	10.8%
Other liabilities	3,748.4	3,785.8	37.5	1.0%
Capital	15,439.7	15,862.3	422.6	2.7%

Source: General and International License banks

In the National Banking System (general license banks only), assets totaled USD 118.71 billion, USD 2.98 billion or 2.6% more than that of February 2021. The net loan portfolio of the National Banking System showed a USD 2.90 billion (4.4%) increase to reach to USD 68.71 billion. Net external loans grew 14.6%, while the domestic portfolio outperformed by 1.7%. On the other hand, total deposits placed in the NBS totaled USD 86.44 billion, a 1.0% rise, which is mainly the result of customer deposits.

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

Breakdown	2020	2021	Feb. 22/Feb. 21 Difference	
	February	February	Total	February
Liquid assets	21,773.3	20,056.9	-1,716.5	-7.9%
Net loan portfolio	65,811.5	68,702.8	2,891.3	4.4%
Domestic	*52,193.8*	*53,098.3*	*904.4*	*1.7%*
External	*13,617.7*	*15,604.5*	*1,986.8*	*14.6%*
Securities	21,493.4	23,341.9	1,848.5	8.6%
Other assets	6,649.8	6,606.6	-43.2	-0.6%
Total Assets	**115,728.1**	**118,708.1**	**2,980.1**	**2.6%**
Deposits	85,614.1	86,430.8	816.7	1.0%
Domestic	*63,435.3*	*64,404.5*	*969.2*	*1.5%*
External	*22,178.8*	*22,026.3*	*-152.5*	*-0.7%*
Obligations	14,457.0	16,582.4	2,125.4	14.7%
Other liabilities	3,610.3	3,563.7	-46.7	-1.3%
Capital	12,046.7	12,131.3	84.7	0.7%

Source: General License banks

F. Loans

The domestic loan portfolio recorded a total of USD 55.42 billion, a USD 1.27 billion or 2.3% increase in February 2022. It should be noted that, although the country is undergoing an economic recovery, it has been asymmetrical and some sectors are still recovering to improve the demand for credit they had in 2019, with which, the sectoral performance of the different loan portfolios has not been similar. Regarding the performance of these, as of February 2022, except for loans from Financial Activities (-26.1%); Mining & Quarrying (-12.1%), and Construction (-9.0%), the rest of productive activities had positive figures. The performance of these sectors is due to the fact that, although at the beginning of the pandemic companies resorted to the lines of credit they had in force to face the effects triggered by the contingency, they later stopped the demand for credit or resorted to other sources of financing.

Activity recovery measured in twelve months, of corporate and consumer placements. Regarding the balance of the corporate loan portfolio, it recorded, as of February 2022, a year-on-year nominal difference of 5.7%, a performance greater than that of January 2022. The consumer loan portfolio made up of mortgages (+4.4%) and personal consumption (+4.7%) continued to show a positive performance in its different segments.

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

Breakdown	2021 February	2022 February	Feb. 22/Feb. 21 Difference Total	%
TOTAL	**54,143.4**	**55,412.9**	**1,269.5**	**2.3%**
Public sector	1,402.0	1,465.3	63.4	4.5%
Private sector	52,741.5	53,947.6	1,206.2	2.3%
Financial & insurance activities	1,465.1	1,082.8	-382.3	-26.1%
Agriculture	394.4	449.3	55.0	13.9%
Livestock	1,314.6	1,374.5	59.9	4.6%
Fishing	78.2	87.7	9.5	12.2%
Mining & Quarrying	55.8	49.1	-6.7	-12.1%
Commerce	10,331.8	10,924.9	593.1	5.7%
Industry	2,919.0	2,942.9	24.0	0.8%
Mortgages	18,092.9	18,887.9	795.0	4.4%
Construction	5,725.8	5,209.4	-516.4	-9.0%
Personal consumption	12,363.9	12,939.1	575.2	4.7%

Source: General License banks

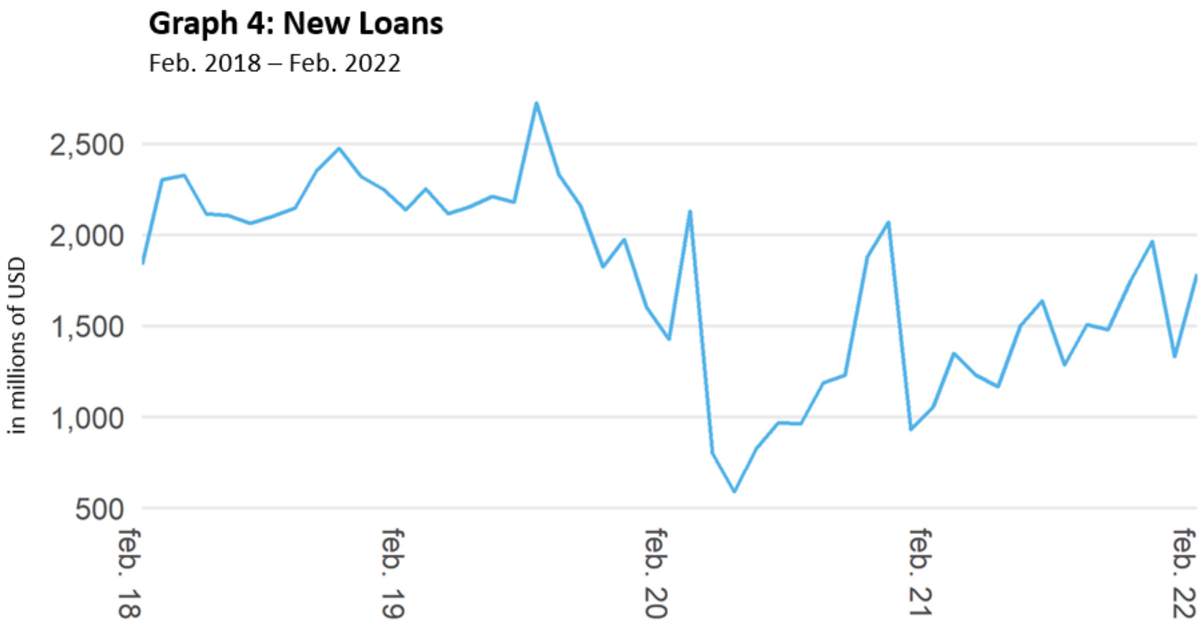
New loans processed by banks, as of February 2022, totaled USD 3.12 billion, a 57.0% increase compared to a year earlier.

Table 6: National Banking System
New domestic loans by sectors and activities
(in millions of USD)

Breakdown	2021 Jan-Feb	2022 Jan-Feb	Jan.-Feb. 21/22 Difference Total	%
Public entity	12.9	18.6	5.7	44.3%
Financial companies	46.5	80.0	33.6	72.2%
Agriculture (incl. forestry)	23.0	55.1	32.0	139.1%
Livestock	79.9	110.6	30.7	38.5%
Fishing	1.6	3.4	1.8	107.9%
Mining & Quarrying	1.8	0.4	-1.4	-75.9%
Commerce (incl. Services)	987.3	1,741.6	754.2	76.4%
Industry	297.2	315.3	18.1	6.1%
Mortgages	205.5	300.7	95.2	46.4%
Construction	119.7	180.4	60.7	50.7%
Personal consumption	210.2	311.2	101.0	48.1%
TOTAL	**1,985.5**	**3,117.2**	**1,131.7**	**57.0%**

Source: General License banks

As for the monthly evolution, an increase was observed versus January 2022 (**see Graph 4**). In the monthly difference, new loans increased by 34.3%.



Source: General License Banks

The positive performance of the external loan portfolio (+12.3%) stood out, which highlights the IBC's key role in meeting the financing needs of Latin American and Caribbean countries. Said increase could be driven by the country's competitive rates in a context in which most of the countries in the region began increasing their monetary policy rates that have already impacted credit granting rates. In the future, we envision that maintaining this position will require having a strong financial sector, with effective supervision and prudential regulations adapted to international standards and best practices, which we believe will allow us to reinforce our leading role in the regional financial context.

In an economic reactivation setting and a currently controlled health outlook, the credit risk indicator has remained at limited levels, as a result of the exceptional credit support measures applied by the SBP during the pandemic, and that would have ended in September 2021. As of February 2022, the total delinquency rate[1] stood at 4.52%. Going forward, the uncertainty caused by past due loans will be the main vulnerability for the stability of the financial system. Regarding provisions, they allow credit risk coverage, representing more than 100% of overdue loans subject to the stipulations of Rule 4-2013.

[1] Understood as the delinquent and past due components with respect to the total portfolio

G. Structure of the Loan Portfolio and the Performance of the Modified Portfolio

The modified [loan] portfolio reached its peak in August 2020, when it recorded about 51.6% of the total loan portfolio and, as of February 2022, it represented 13.7%. The modified loan portfolio, at the end of the month, amounted to USD 7.61 billion. The issuance of prudential regulations promoted the achievement of agreements between banks and their clients, with which, as of the second half of 2021, there were significant shifts towards the unmodified [loan] portfolio. This represented a USD 14.84 billion or 66.1% decrease, versus the same period of 2021, and about USD 681 million [less] compared to January 2022. Household and real estate are the sectors with the greatest shift to the regular portfolio covered by Rule 4-2013.

On the other hand, in the context of the classification established by Board of Directors' General Resolution SBP-GJD-0003-2021, as of the end of February, the portfolio that could entail the greatest risk would be the modified doubtful and modified loss categories, due to the fact that, to date, they have not been able to make a larger payment arrangement, and together amounted to USD 1.30 billion or 17% of the total modified [loan] portfolio. With this, it was clear that the portfolio under these categories is still very high and there could be a risk of potential impairment to be exposed in the loan portfolios and lead to higher provisioning. Although, at this juncture, financial institutions made voluntary provisions since the beginning of the pandemic and have kept them high, recognizing that there is still room for losses to be recorded. Therefore, the SBP will monitor closely the conclusion of this program during the 1Q2022.

Table: Modified loans of the National Banking System by Economic Activity
In millions of USD

Sectors	Jan.-Feb. 2021	Jan.-Feb. 2022	Jan. 22/Jan. 21	
			Total	%
Mortgages	9,291.8	3,451.6	-5,840.2	-62.9%
Consumer	4,235.2	1,748.9	-2,486.3	-58.7%
Construction	3,486.7	906.7	-2,579.9	-74.0%
Services	2,841.7	876.4	-1,965.2	-69.2%
Commerce	1,740.8	391.0	-1,349.9	-77.5%
Industry	402.1	86.4	-315.8	-78.5%
Others	442.7	145.4	-297.3	-67.2%
Total	**22,441.1**	**7,606.4**	**-14,834.7**	**-66.1%**

Source: General License Banks

H. Deposits

As of February 2022, the deposits of the International Banking Center rose to 2.7% versus February 2021. This difference responds to an increase in both domestic and external deposits, having in common that both responded significantly to the growth of customer deposits, both in demand and savings deposits. Such performance showed that customer and external bank depositors trust in the strength of IBC banks and the country's macroeconomic stability despite going through a complicated environment.

The deposits placed in the market, as of February 2022, recorded a total of USD 98.55 billion, USD 2.62 billion more than that of February 2021 (**see Table 8**). If the analysis is focused on domestic deposits, an increase was recorded in February 2022, to reach to USD 64.59 billion, a rise of 1.6% versus February 2021.

On the other hand, external deposits recorded an increase of USD 1.62 billion, amounting to USD 33.97 billion. In nominal terms, the largest deposit increases came from Colombia, Peru, and Chile. It is worth noting that the increase in global inflation, as well as the expectation that major central banks will fix interest rate hikes in the future, in addition to exchange rate uncertainty, have affected the demand for domestic financial assets and liabilities in the past.

Table 8: International Banking Center
Total Deposits
(in millions of USD)

	2021	2022	Feb. 22 / Feb. 21 Diff.	
	February	February (p)	Total	%
Deposits	**95,926.8**	**98,545.1**	**2,618.3**	**2.7%**
Domestic	**63,580.2**	**64,584.4**	**1,004.2**	**1.6%**
Government	13,827.2	13,353.1	-474.1	-3.4%
Customer	45,673.0	47,951.7	2,278.7	5.0%
Banks	4,080.0	3,279.7	-800.4	-19.6%
External	**32,346.6**	**33,960.6**	**1,614.1**	**5.0%**
Government	93.4	370.3	276.9	296.4%
Customer	23,744.8	26,811.0	3,066.2	12.9%
Banks	8,508.4	6,779.4	-1,729.0	-20.3%

Source: General and International License banks.

In the case of the banks of the National Banking System, there is a trend like that of the IBC, recording a total of USD 86.44 billion, a 1.0% increase versus February 2021, driven by domestic and external deposits (**see Table 9**).

Table 9: National Banking System
Total Deposits
(in millions of USD)

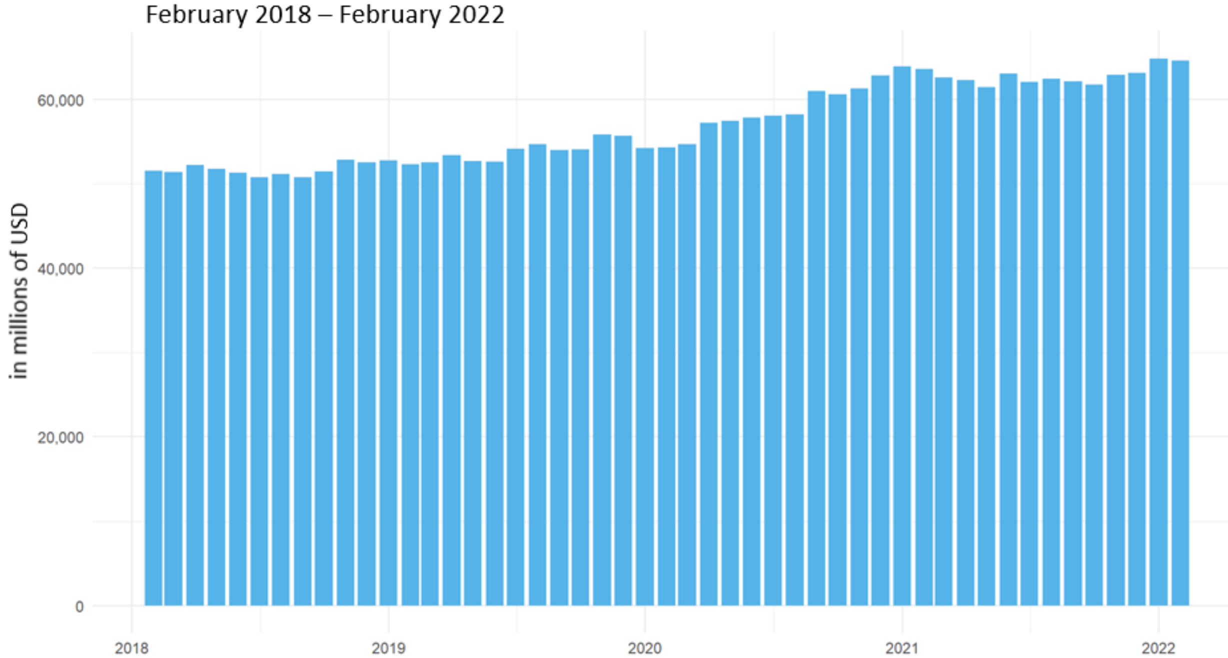
	2021	2022	Feb. 22 / Feb. 21 Diff.	
	February	February (p)	Total	%
Deposits	**85,614.1**	**86,430.8**	**816.7**	**1.0%**
Domestic	**63,435.3**	**64,404.5**	**969.2**	**1.5%**
Government	13,827.2	13,353.1	-474.1	-3.4%
Customer	45,625.0	47,863.8	2,238.8	4.9%
Banks	3,983.0	3,187.6	-795.5	-20.0%
External	**22,178.8**	**22,026.3**	**-152.5**	**-0.7%**
Government	93.4	368.1	274.8	294.3%
Customer	13,967.3	15,344.9	1,377.5	9.9%
Banks	8,118.1	6,313.3	-1,804.8	-22.2%

Source: General License banks.

The structure of IBC deposits is based mainly on collecting customers and corporate deposits, which hold 85% of total deposits, the remaining 15% are interbank positions. It should be remarked that the domestic deposits of the National Banking System represented 74% of total NBS deposits. To date, it was observed that customer deposits have shown resilience and there are no short-term reductions that could indicate that there could be a situation that exposes the group of banks. **Graph 5** shows the evolution of the balance of domestic deposits.

Graph 5: Total Domestic Deposits

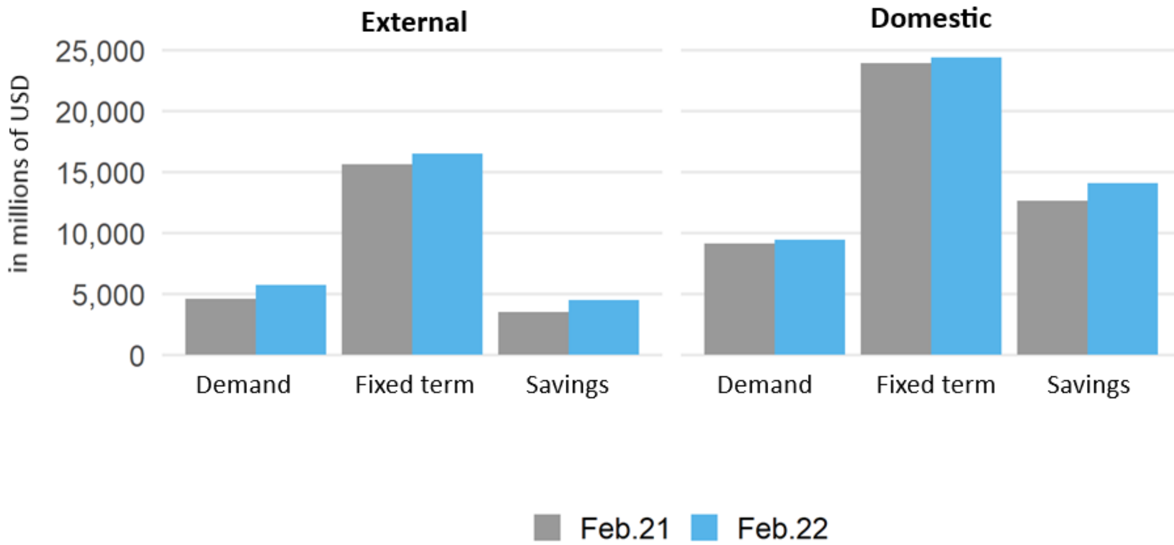
February 2018 – February 2022



Source: General license banks.

Regarding the structure of customer liabilities by maturity, fixed term deposits continue to be the most important savings instrument. As of February 2022, they represent 50.9% of customer domestic deposits by totaling USD 24.41 billion, followed by savings rising to USD 14.10 billion; and demand deposits amounting to USD 9.45 billion. It should be remarked that although the level of customers savings is positive, a foreseeable slowdown has been perceived, which could be related to the reopening of economic activities affected by the pandemic, the reduction of precautionary savings, and the resumption of payment of obligations under financial relief programs.

Graph 6: Customer Deposits
February 2021 – February 2022



Source: General and International license banks.

Customers demand deposits (+3.4%) and savings deposits (+11.7%) held by the financial system grew. In this way, a rearrangement of bank deposits continued to be recorded, by increasing the collection of demand accounts as depositors sought to have greater availability and liquidity of their resources.

Although it is still premature to point out trend changes in term deposits, it seems that the expected increase in deposit interest rates could raise the cost of maintaining liquid resources. However, now, it is not estimated that this trend change will be that significant that will pointedly increase the cost of deposits for the banking system in the short-term. Customer domestic and external fixed-term deposits increased by 2.1% and 5.7%, respectively.

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