Banking Activity Report

March 2022

Table of Contents

Executive Summary

As of March 2022, all banks continued conducting their operations with adequate liquidity and solvency margins, within an increasing financial intermediation. Capitalization metrics remain at high and solid levels. The latest global capital ratio showed 15.9%, almost double the regulatory minimum of 8%. In terms of liquidity, the Banking System reached 58.3%, almost double the legally required as well. Liquidity is solid and has been strengthened thanks to continuous growth in deposits in recent months, with which the entities ability to meet short- and long-term obligations have been preserved.

At the end of 1Q2022, it has been possible to verify that the credit portfolio in banks once again showed an upward trend, where all new loans segments have positive results. These performances are leveraged by the growth of deposits and other sources of stable funding that grew during the period, among others.

The assets of the International Banking Center (IBC) totaled USD 135.69 billion, a USD 6.69 billion increase versus March 2021, i.e. a year-on-year increase of 5.2%, which is the result of increases in the net loan portfolio (7.6%) and the securities portfolio (18.1%). On the liquid assets' side, although they fell short (-12.7%), this is a counterpart reflection of credit increase.

For March 2022, the domestic loan portfolio recorded USD 55.77 billion, a USD 1.74 billion or 3.2% increase. It should be noted that, although the country shows an economic recovery it has been asymmetrical, and some sectors are still under a recovery process to overcome the demand for credit they had in 2019. As of March 2022, new loans totaled USD 5.08 billion, a 52.2% increase compared to March 2021, a result that could be explained by a low base of comparison due to sectoral closures in 1Q2021. It should be emphasized that, in terms of balances, all sectors show better performances, which would reflect sectoral reactivation and a greater demand for credit.

The indicators of provisions, delinquency of over 90 days, and the impaired portfolio of the Banking System and Center, calculated on loans at amortized cost presented, as of March 2022, a mixed behavior between portfolios. At the aggregate level, the National Banking System (NBS) at the end of the 1Q2022 showed a delinquency ratio of 4.8%, of which 2.3% represented loans with arrears of 30+ days and of 2.5% for loans with arrears of 90+ days. A stable performance can be observed before, during, and after the pandemic, mainly because of regulatory changes that allowed banking relief measures and that are gradually returning to normal.

The International Banking Center recorded net profits, as of March 2022, of USD 507.1 million, USD 193.2 million more than on the same date in 2021, a year-on-year growth of 61.6%. Despite the uncertainty of the current international context, the banking system continuous to see improvements in its results, which is the product of a better performance of most of the margins, extraordinary income by a banking group, and lower provisioning expenses. Even though provisions for USD 174.6 million were set, they decreased by 12.8%, if we compare 1Q2022 versus

1Q2021. These provisions were necessary due to global environment of high uncertainty. We estimate that provisioning should remain above pre-pandemic levels, as banks continue to write off exposures to borrowers that were unable to resume payments in the context of COVID-19 and relief programs associated to this event.

Deposits placed in the market, as of March 2022, recorded a total of USD 98.48 billion, a USD 3.20 billion increase compared to March 2021. If the analysis is focused on domestic deposits, they recorded an increase as of March 2022, to reach to USD 63.89 billion, a 1.8% growth versus March 2021.

Customers demand deposits (+2.67%) and savings deposits (+10.06%) 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. Economic reactivation that benefited a greater flow of income from the sale of goods and services, as well as the substitution of part of term resources, could explain the increase observed in the performance of demand deposits.

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, maintain the capitalization of profits to continue having capital strength, and continue with the process of gradual removal of temporary regulatory flexibilities to be concluded during 1Q2022. Additionally, there are other global risks to financial stability, including a greater aversion associated with the recent geopolitical conflict and tighter financial conditions because of a faster normalization of monetary policy globally, in an environment of economic slowdown, and significant inflationary pressures. Regarding domestic risks, although economic activity is beginning to recover, the risk of greater weakness in consumption and domestic investment remains due to these global events and higher inflationary measures.

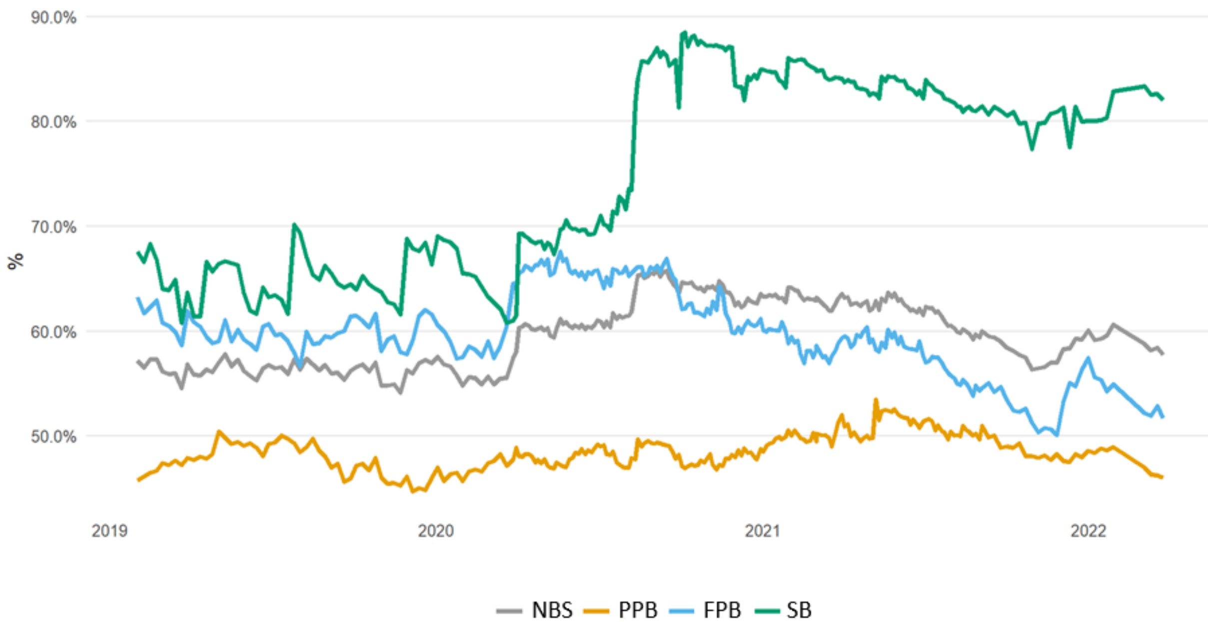
A. Liquidity

As of March 2022, the liquidity of the Banking System reached 58.3%, almost twice 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.

Graph 1: Weekly average liquidity ratio

March 2019 – March 2022



Source: General License Banks

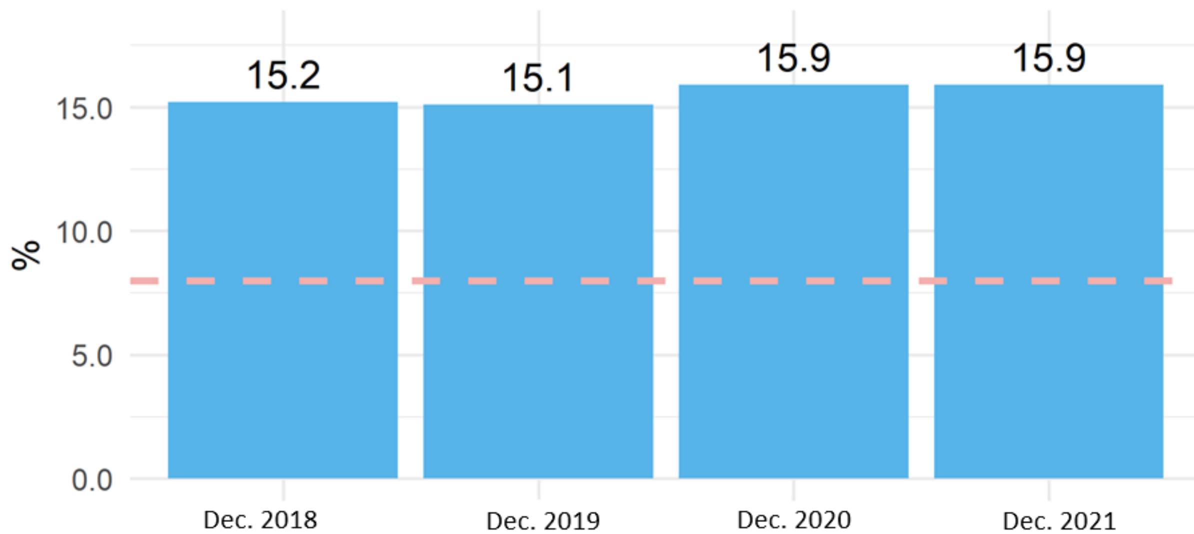
It should be noted that banking in Panama has maintained abundant liquidity levels since before the pandemic, which has been an important factor in coping with the effects of the complicated situation we have had since March 2020. The foregoing is explained, in part, because banks increased their liquidity reserves, because of the implementation of Rule 2-2018 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%, at 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 March 2022, of USD 507.1 million or USD 193.2 million more than on the same date of 2021, i.e. a year-on-year growth of 61.6%. Despite the uncertainty of the current international context, the banking system continuous to see improvements in its results, which is the product of a better performance of most of the margins, extraordinary income by a banking group, and lower provisioning expenses.

Thus, in addition to receiving profits produced abroad by an International License bank, profits for the period responded significantly to the increase in other income (+36.8%) and net interest income (+9.6%) 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.

Operating expenses of USD 658 million increased by 14.3% on a year-on-year basis. This increase responded in part to digitalization initiatives, which, although they will save costs, entail high initial investments in technology. Banks in the system are expected to continue with cost control and operational efficiency strategies.

Even though provisions for USD 174.6 million were set, they decreased by 12.8%, if we compare 1Q2022 versus 1Q2021 (and they are approximately USD 30 million less compared to a year earlier). Although the increase in business volumes, the performance of interest rates, and good efficiency will support profitability, these provisions were necessary due to a global environment of high uncertainty. We estimate that provisioning expenses should remain above pre-pandemic levels, as banks continue to write off exposures to borrowers that were unable to resume payments in the context of COVID-19 and relief programs associated to this event.

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

International Banking Center	Jan.-Mar. 2021	Jan.-Mar. 2022	Difference %	Difference USD
Net interest income	554.8	607.9	10%	53.1
Other income	535.1	731.9	37%	196.8
Operating income	*1,089.9*	*1,339.8*	*23%*	*249.9*
General expenses	*575.7*	*658.1*	*14%*	*82.4*
Profit before provisions	514.2	681.7	33%	167.5
Bad debt provision	200.3	174.6	-13%	-25.7
Profit for the period	**313.9**	**507.1**	**62%**	**193.2**

Source: General and International License banks.

The National Banking System recorded accumulated net profits, as of March 2022, of USD 331.9 million, 28.7% more than that of March 2021. Like what happened in the IBC, the greater credit activity and the lower provisioning had a positive impact on the sector's profits.

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

International Banking Center	Jan.-Mar. 2021	Jan.-Mar. 2022	Difference %	Difference USD
Net interest income	527.9	569.6	8%	41.7
Other income	454.8	545.6	20%	90.8
Operating income	*982.7*	*1,115.2*	*13%*	*132.5*
General expenses	*526.0*	*609.9*	*16%*	*83.9*
Profit before provisions	456.7	505.3	11%	48.6
Bad debt provision	198.9	173.4	-13%	-25.5
Profit for the period	**257.8**	**331.9**	**29%**	**74.1**

Source: General license banks.

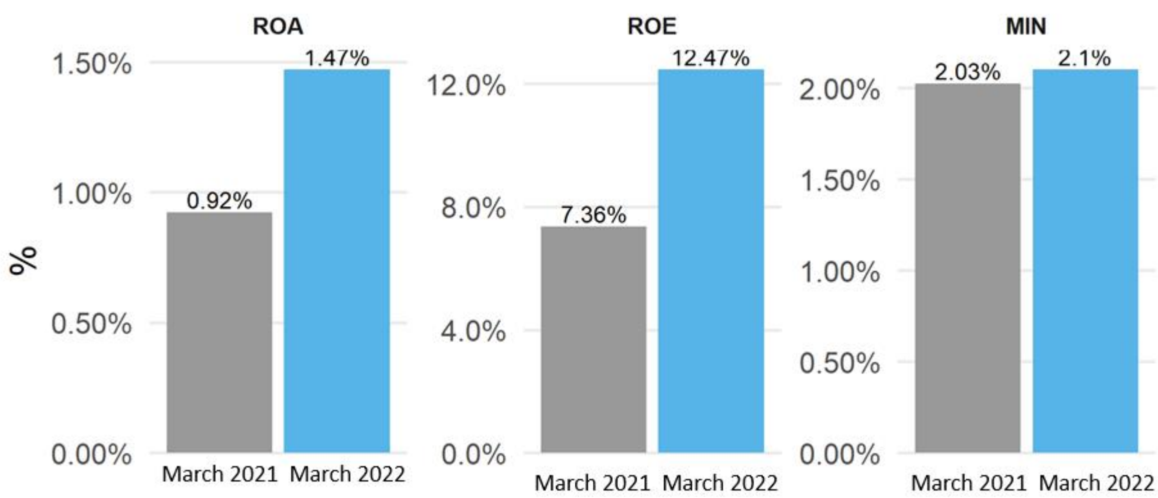
Thus far, the NBS will not record financial margins like pre-pandemic ones, although, a month-by-month loan improvement is seen, which in turn will produce higher levels of financial income. Banks in the system are expected to continue with cost control and operational efficiency strategies. Currently, IBC efficiency levels are around 49%.

D. Profitability indicators

As of March 2022, IBC showed positive profitability indicators, higher than those recorded in previous months; accumulated through March, total IBC results reached 1.53% (ROA) and 13.04% (ROE); i.e. 0.54 bp and 5.0 bp, respectively, higher than that of March 2021 (**see Graph 3**). This increase occurred in a context of a decrease in the cost of funding for deposits and lower provisioning for portfolio impairment, factors that were leveraged by higher income from intermediation and provision of financial services, among others.

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
March 2021 – March 2022



Source: General and International License banks

E. Balance Sheet

The assets of the International Banking Center totaled USD 135.69 billion, a USD 6.69 billion growth versus March 2021, i.e. a year-on-year growth of 5.2%, which is the result of increases in the net loan portfolio (7.6%) and the securities portfolio (18.1%). On the liquid assets' side, although they fell short (-12.7%), this is a counterpart reflection of credit increase. It should be remarked that funding levels are stable and above the regulatory required, and both the balance of cash and cash equivalents continued at high level in a broad time frame.

Regarding the net loan portfolio, as of March 2022, the International Banking Center grew 7.6% to reach to USD 76.94 billion. The reactivation of the sector, the demand for credit, the application of measures, and the monitoring of their performance have allowed the loan portfolio to react positively. Another important factor that contributed dynamism to the growth of IBC lending operations was the shift of liquid assets and loan flows to the securities portfolio, which amounted to USD 29.20 billion, a USD 4.48 billion rise. So far this year, this component recorded a positive performance (a year-on-year increase of 18.1%). However, we highlight that the cycle of rate increases by the central banks of developed countries and greater uncertainty in the markets as idiosyncratic and external factors could cause volatility in these instruments, which is why the SBP will be monitoring them closely.

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 3.20 billion (3.4%), which is the result of the performance of growing domestic deposits (1.8% or USD 1.16 billion) and external deposits (6.3% or USD 2.05 billion) in nominal terms. As main components, customer deposits can be highlighted as the most liquid one. It is noteworthy that for both legal and natural persons, part of this increase in demand deposits could also be reflected in the reallocation of resources from time deposits towards more liquid instruments. IBC deposits as of March 2022 totaled USD 98.48 billion. 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.

On the other hand, obligations and other liabilities presented increases of 20.4% and 3.5%, respectively, versus March 2021. It is worth noting that 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	2021 March	2022 March	Mar. 22/Mar. 21 Difference Total	%
Liquid assets	25,889.6	22,604.5	-3,285.1	-12.7%
Net loan portfolio	71,510.0	76,936.1	5,426.1	7.6%
Domestic	*52,069.9*	*53,459.6*	*1,389.7*	*2.7%*
External	*19,440.1*	*23,476.5*	*4,036.4*	*20.8%*
Securities	24,713.9	29,191.6	4,477.7	18.1%
Other assets	6,886.8	6,956.4	69.6	1.0%
Total Assets	**129,000.3**	**135,688.5**	**6,688.2**	**5.2%**
Deposits	95,277.5	98,476.3	3,198.8	3.4%
Domestic	*62,733.0*	*63,886.9*	*1,154.0*	*1.8%*
External	*32,544.6*	*34,589.4*	*2,044.8*	*6.3%*
Obligations	14,656.1	17,643.5	2,987.4	20.4%
Other liabilities	3,695.3	3,822.8	127.5	3.5%
Capital	15,371.3	15,745.9	374.6	2.4%

Source: General and International License banks

As for the National Banking System (general license banks only), assets totaled USD 119.44 billion, USD 4.79 billion or 4.2% more than that of March 2021. The net loan portfolio of the National Banking System showed a USD 4.46 billion (6.8%) increase totaling USD 70.16 billion. Net external loans grew 22.8%, while the domestic portfolio outperformed by 2.7%. On the other hand, total deposits placed in the NBS totaled USD 86.23 billion, a 1.5% rise, which is mainly the result of customer deposits.

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

Breakdown	2021	2022	Mar. 22/Mar. 21 Difference	
	March	March	Total	%
Liquid assets	20,972.5	18,537.4	-2,435.1	-11.6%
Net loan portfolio	65,666.1	70,151.7	4,485.6	6.8%
Domestic	*52,070.4*	*53,462.5*	*1,392.1*	*2.7%*
External	*13,595.7*	*16,689.2*	*3,093.4*	*22.85*
Securities	21,329.5	24,094.1	2,764.6	13.0%
Other assets	6,675.6	6,649.6	-26.1	-0.4%
Total Assets	**114.643.7**	**119,432.7**	**4,789.0**	**4.2%**
Deposits	84,977.4	86,222.2	1,244.8	1.5%
Domestic	*62,638.8*	*63,811.9*	*1,173.1*	*1.9%*
External	*22,338.6*	*22,410.3*	*71.7*	*0.3%*
Obligations	14,151.5	17,466.4	3,314.9	23.4%
Other liabilities	3,548.0	3,644.5	96.5	2.7%
Capital	11,966.7	12,099.6	132.9	1.1%

Source: General License banks

F. Loans

For March 2022, the domestic loan portfolio recorded a total of USD 55.77 billion, a USD 1.74 billion or 3.2% increase. 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 March 2022, except for loans from Financial Activities (-9.6%); Mining & Quarrying (-6.4%), and Construction (-7.9%), 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.

The household loan portfolio made up of mortgages (+4.1%) and personal consumption (+4.6%) continues to show a positive performance in its different segments but have begun to show a slight slowdown. Greater inflationary pressure, coupled with precautionary reasons associated with the different contagion waves experienced at the beginning of the year, were reflected in an intermittent and somewhat moderate consumption recovery that limited the demand for this type of financing and affected the lower new loans granted.

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

Breakdown	2021	2022	Mar. 22/Mar. 21 Difference	
	March	March	Total	%
TOTAL	**54,038.0**	**55,770.0**	**1,733.0**	**3.2%**
Public sector	1,403.0	1,470.0	67.0	4.85
Private sector	52,634.0	54,300.0	1,666.0	3.2%
Financial & insurance activities	1,309.0	1,183.0	-126.0	-9.6%
Agriculture	403.0	45.10	48.0	12.0%
Livestock	1,311.0	1,382.0	71.0	5.4%
Fishing	78.0	88.0	10.0	13.05
Mining & Quarrying	56.0	53.0	-4.0	-6.4%
Commerce	10,448.0	10,946.0	498.0	4.8%
Industry	2,785.0	3,084.0	299.0	10.7%
Mortgages	18,216.0	18,969.0	753.0	4.1%
Construction	5,663.0	5,213.0	-449.0	-7.9%
Personal consumption	12,366.0	12,932.0	567.0	4.6%

Source: General License banks

As of March 2022, accumulated new loans totaled USD 5.08 billion, a 52.2% increase compared to a year earlier. It should be noted that all sectors showed positive performance, which would be the reflection of the sectoral reactivation of a greater demand for credit.

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

Breakdown	2021	2022	Jan.-Mar. 21/22 Difference	
	Jan.-Mar.	Jan.-Mar.	Total	%
Public entity	22.9	28.4	5.5	24.1%
Financial companies	149.1	250.1	101.0	67.7%
Agriculture (incl. forestry)	43.2	81.0	37.8	87.5%
Livestock	127.1	164.4	37.3	29.4%
Fishing	3.1	5.0	1.9	60.7%
Mining & Quarrying	2.5	.7	1.2	49.1%
Commerce (incl. Services)	1,550.2	2,598.9	1,048.7	67.7%
Industry	465.4	654.0	188.6	40.5%
Mortgages	355.9	479.9	124.1	34.9%
Construction	227.5	303.6	76.1	33.5%
Personal consumption	386.3	503.8	117.6	30.4%
TOTAL	**3,332.9**	**5,072.7**	**1,739.7**	**52.2%**

Source: General License banks

Graph 4: New Loans
Mar. 2018 – Mar. 2022

Source: General License Banks

G. Modified Portfolio

The modified [loan] portfolio as of March 2022 reached to USD 6.65 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 12 billion or 66% decrease, versus the same period of 2021. 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 1Q2022, 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 1.32 billion. These performances are linked to the improvement in monthly installments, however, the portfolio classified in this category is higher and could entail greater provisioning.

Table 7: National Banking System
Modified loans of the National Banking System by Economic Activity
(in millions of USD)

Sectors	2021 March	2022 March	Total Diff.	% Diff.
Mortgages	8,277.0	3,084.0	-5,193.0	-63.0%
Consumer	3,878.0	1,584.0	-2,294.0	-59.0%
Construction	2,794.0	756.0	-2,038.0	-73.0%
Services	2,319.0	719.0	-1,600.0	-69.0%

Sectors	2021 March	2022 March	Total Diff.	% Diff.
Commerce	782.0	308.0	-474.0	-61.0%
Industry	330.	74.0	-256.0	-78.0%
Others	916.0	121.0	-1,301.0	-89.0%
Total	**19,296.0**	**6,646.0**	**-12,650.0**	**-66.0%**

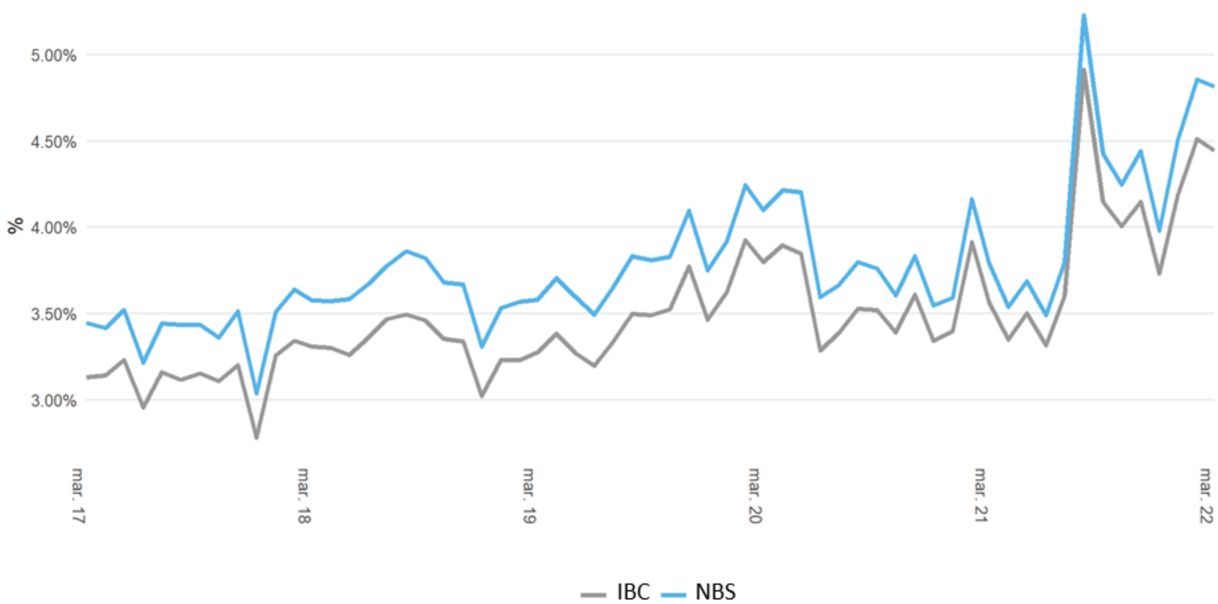
Source: General License Banks

H. Credit Risk

The economic recovery, the return to normality of the different segments, the gradual increase in employment levels have been key factors to defer and, in some cases, dissipate the level of delinquency, which at some point was at high levels and due to regulation, it was not classified as delinquent portfolio.

Graph 5: Portfolio Quality: NBS and IBC

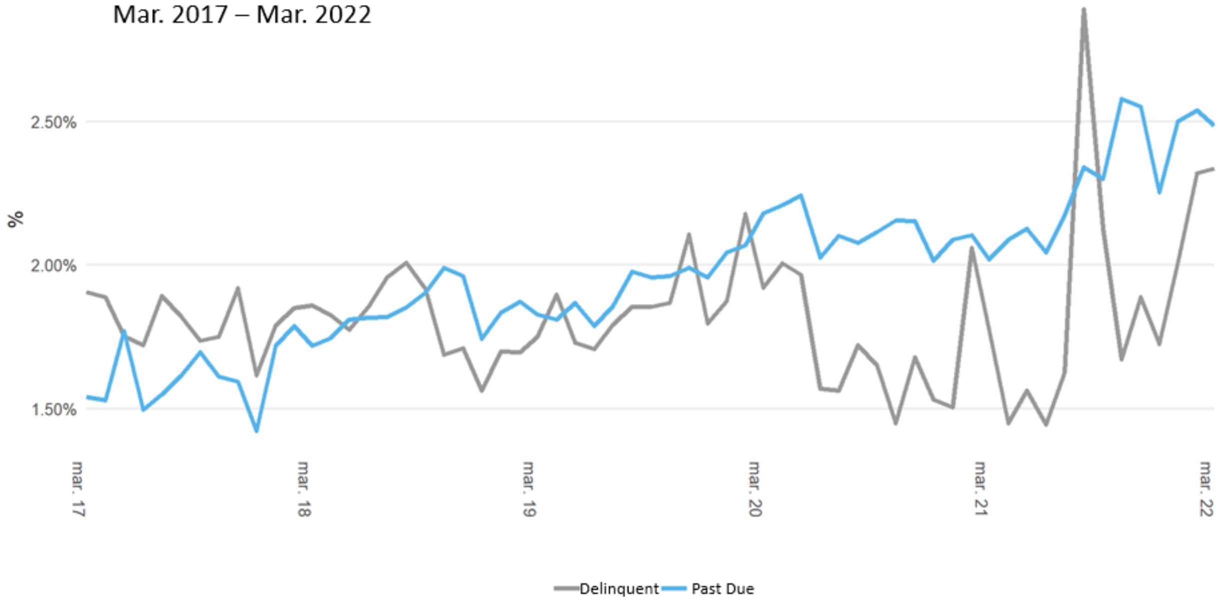
Mar. 2017 – Mar. 2022



Source: General License Banks

Graph 6: Portfolio Quality: Delinquent and Past Due

Mar. 2017 – Mar. 2022

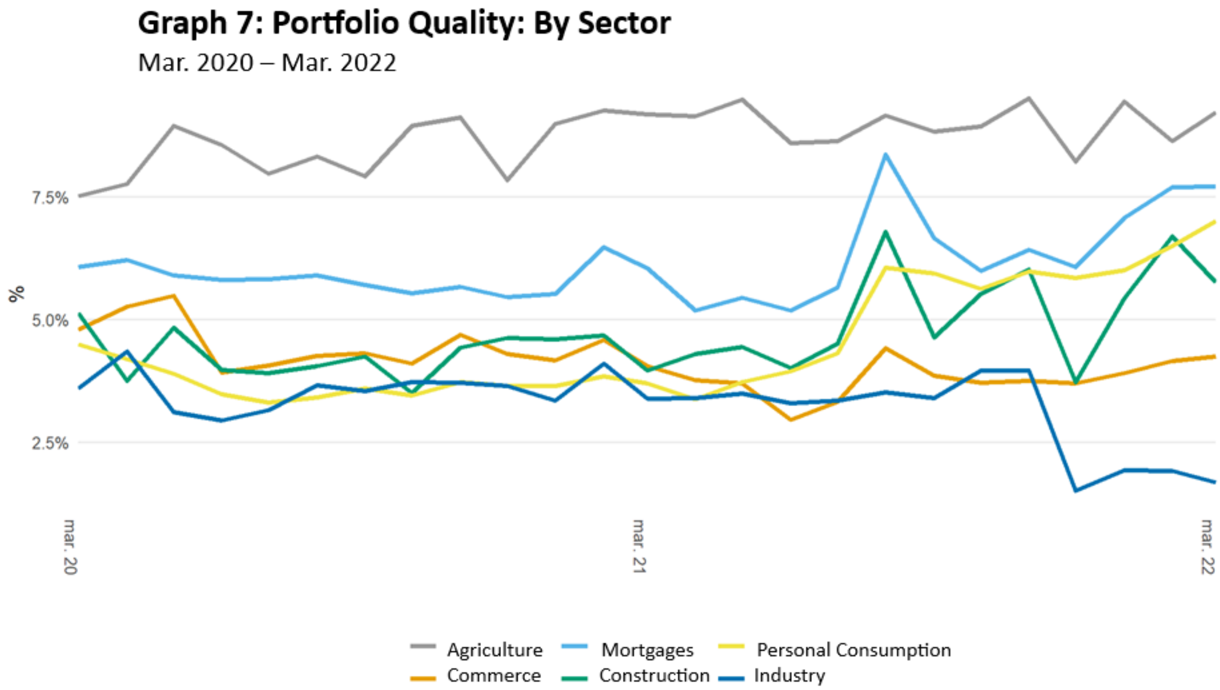


Source: General License Banks

As of the end of 1Q2022, the National Banking System showed a delinquency ratio of 4.8%, of which 2.3% represented loans with arrears of 30+ days and of 2.5% for loans with arrears of 90+ days. A stable performance can be observed before, during, and after the pandemic, mainly because of regulatory changes that allowed banking relief measures and that are gradually returning to normal.

The indicators of provisions, delinquency of over 90 days, and the impaired portfolio of the Banking System and Center, calculated on loans at amortized cost presented, as of March 2022, a mixed behavior between portfolios. On the other hand, and breaking down the delinquency of the portfolio by its main activities, a similar trend is observed over the surveyed periods that comprise March 2020 to March 2022. For the months between June and August 2020, an increase was seen in terms of portfolio quality ratio, in part this was due to the application of Article 4 of Rule 2021 (sic) which dictates the general conditions to restore modified loans according to Rule 4-2013.

For the household sector, made up of mortgages and personal consumption, as of the end of March 2022, the delinquency ratio is of 7.7% and 7.0%, respectively. While for Agricultural and Livestock activities, the delinquency is of 9.2%; construction has also been one of the most affected during this period, its current delinquency is of 5.8%, with a considerable decrease to what it was showing in 2Q2021 and 3Q2021. For its part, Commerce has a delinquency of 4.3% and Industry an increase of 1.7% versus December 2021.



Source: General License Banks

As for the credit risk indicator, historically the high-risk indicator (doubtful and loss portfolio) was below 1.5% and after the pandemic was declared, it deteriorated until it reached 4.1%. In turn, loans classified as medium risk (substandard portfolio) also showed a significant growth, and the ratio grew from 2% to 6%. This performance was monitored within the transition matrix and it was observed how they could move from one category to another and, in turn, warn an increase in provisioning if the credit deteriorated.

Within the credit risk matrix, the sectors with the highest level of impairment (Category 3 to 5: Substandard, doubtful, and loss) are the agricultural activities and the home purchase portfolio, followed by consumer portfolio. These activities presented a credit risk indicator that exceeds 10%. In the case of the mortgage portfolio, it has normally been one of the segments that have presented the highest level of arrears, which caused a higher-risk rating, mainly towards the substandard portfolio. In the same way, it has happened with personal consumption loans, mainly new loans, which would be the ones that, in an adverse situation, would have the greatest risk of write off, since they do not have real collaterals to secure them.

I. Deposits

As of March 2022, the deposits of the International Banking Center rose to 3.4% versus March 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 March 2022, recorded a total of USD 98.48 billion, USD 3.20 billion more than that of March 2021 (**see Table 8**). If the analysis is focused on domestic deposits, an increase was recorded as of March 2022, to reach to USD 63.89 billion, a 1.8% growth versus March 2021. On the other hand, external deposits recorded an increase of USD 2.05 billion, amounting to USD 34.59 billion. In nominal terms, the largest deposit increase came from Colombia, Peru, and El Salvador. 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)

Breakdown	2021	2022	Mar. 22 / Mar. 21 Diff.	
	March	March	Total	%
Deposits	**95,2478.0**	**98,476.0**	**3,199.0**	**3.4%**
Domestic	**62,733.0**	**63,887.0**	**1,154.0**	**1.8%**
Government	12,715.0	12,728.0	13.0	0.1%
Customer	46,073.0	48,036.0	1,962.0	4.3%
Banks	3,945.0	3,123.0	-821.0	-20.8%
External	**32,545.0**	**34,589.0**	**2,045.0**	**6.3%**
Government	81.0	325.0	244.0	301.7%
Customer	23,558.0	27,232.0	3,675.0	15.6%
Banks	8,906.0	7,032.0	-1,874.0	-21.0%

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 balance of USD 86.22 billion, a 1.5% increase versus March 2021, driven by domestic and external deposits (**see Table 9**).

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

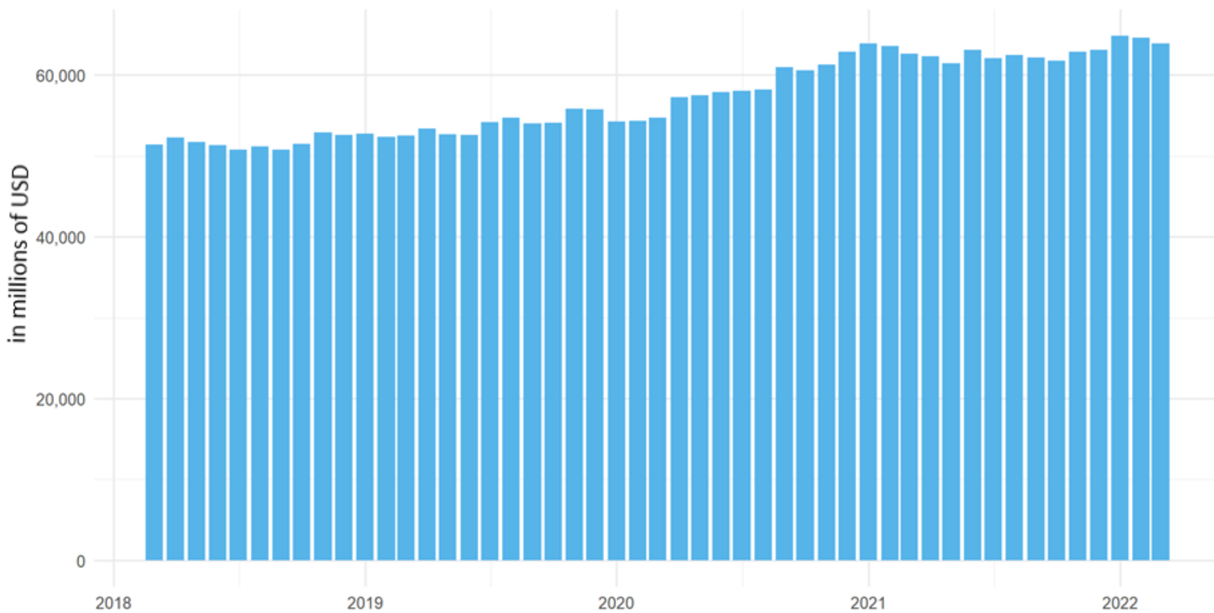
Breakdown	2021	2022	Mar. 22 / Mar. 21 Diff.	
	March	March	Total	March
Deposits	**84,977.0**	**86,222.0**	**1,245.0**	**1.5%**
Domestic	**62,639.0**	**63,812.0**	**1,173.0**	**1.9%**
Government	12,715.0	12,728.0	13.0	0.1%
Customer	46,073.0	48,032.0	1,959.0	4.35
Banks	3,851.0	3,052.0	-798.0	-20.7%
External	**22,339.0**	**22,410.0**	**72.0**	**0.3%**
Government	81.0	323.	242.0	299.2%
Customer	13,745.0	15,519.0	1,774.0	12.9%
Banks	8,513.0	6,568.0	-1,945.0	-22.8%

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** (sic) shows the evolution of the balance of domestic deposits.

Graph 8: Total Domestic Deposits

March 2018 – March 2022

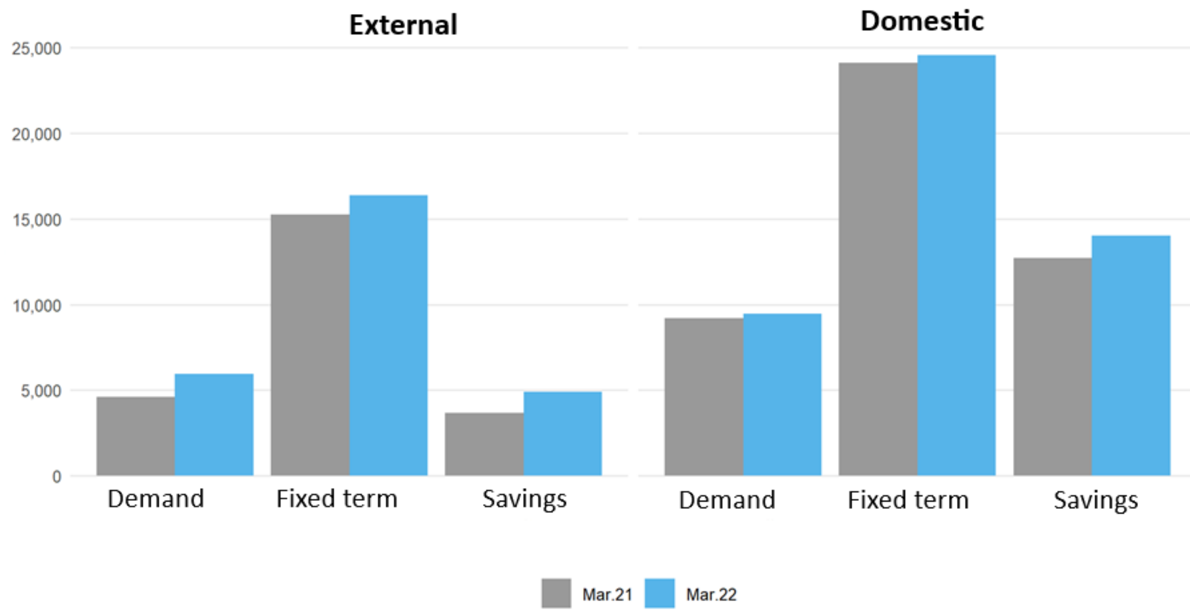


Source: General license banks.

Regarding the structure of customer liabilities by maturity, fixed term deposits continue to be the most important savings instrument. As of March 2022, domestic fixed term deposits amounted to USD 24.56 billion, followed by savings rising to USD 14.02 billion, and demand deposits totaling USD 9.47 billion.

Graph 9: Customer Deposits

March 2021 – March 2022



Source: General and International license banks.

Customers demand deposits (+2.67%) and savings deposits (+10.06%) 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. Economic reactivation that benefited a greater flow of income from the sale of goods and services, as well as the substitution of part of term resources, could explain the increase observed in the performance of demand deposits.

SBP
Superintendencia
de Bancos de Panamá

www.superbancos.gob.pa