Banking Activity Report

April 2022

Table of Contents

Executive Summary

As of April 2022, the banking system maintains adequate capital and liquidity ratios, while its profitability enhances. With this, the financial system remains resilient and continues to support the economy, despite the orderly removal of the regulatory flexibility measures introduced during the pandemic.

At the end of the month, the liquidity of the Banking System reached 58.0%, almost twice the legally required. Regarding solvency indicators, the capital adequacy ratio on risk-weighted assets (RWA) was 15.46%, as of the end of the 1Q2022, almost double the regulatory minimum of 8%, but below that of the 4Q2021. This decline was the result of an increase in RWAs, driven by the performance of private sector credit. Currently, all banks running operations satisfactorily comply with the new liquidity and bank capital standards.

The assets of the International Banking Center (IBC), as of April 2022, totaled USD 136 billion, a USD 7.52 billion increase versus April 2021, i.e., a year-on-year growth of 5.9%, which was the result of an increase in the net loan portfolio (9.3%) and the securities portfolio (16.2%). On the liquid assets' side, although an underperformance (-13.0%), this is the counterpart reflection of credit increase.

As of the fourth month of the year, it has been possible to prove that banks loan portfolio once again showed an upward trend, where all new loans segments have positive results. These performances are leveraged by the improvement of deposits and other sources of stable funding that grew during the period, among others.

Regarding the domestic loan portfolio, it amounted to USD 56.02 billion (88.1% of GDP), recording a USD 1.87 billion growth versus 2021 (a year-on-year growth of 3.4%). About new loans, they accumulate a total of USD 6.88 billion, a 50.8% raise versus April 2021, a result that could be explained by a low comparison base because of the sectoral closure of the 1Q2021. It is remarkable that, in terms of balances, all sectors show better performances, which would reflect the sectoral reactivation and a greater demand for credit.

On the other hand, the loan portfolio's external component had a year-on-year growth of 26.3% and highlights the International Banking Center's key role in meeting, from Panama, the financing needs of Latin American and Caribbean countries, which we estimate can keep improving. Recently, problems with the supply chain, geopolitical risks, among others, have brought a strong appetite for regionalization strategies, also known as *nearshoring*, which could open interesting opportunities not only for the country as an investment recipient, but for banks as well, as support for these new initiatives for regional financing.

The National Banking System (NBS), as of the end of the 1Q2022, shows a delinquency ratio of 4.4%, of which 2.1% account for loans with arrears of 30+ days and 2.6% for loans with arrears of over 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.

By April 30, 2022, the IBC reported an accumulated net income of USD 648 million, a 54.6% rise versus April 2021. Despite the uncertainty of the current international context, the banking system continues to prove improvements in its results, which is the product of a better performance of most of the margins, the extraordinary income by a banking group, and the lower provisioning expenses. Profit recovery is also explained by the lower provisioning and the sustained interest income recovery, since a higher percentage of clients are honoring their rearranged debts.

Deposits placed in the market, as of April 2022, recorded a total of USD 98.21 billion, a USD 3.10 billion increase compared to April 2021. If the analysis is focused on domestic deposits, they recorded an increase, as of April 2022, to reach USD 63.44 billion, a 1.64% growth versus April 2021. On the other hand, external deposits recorded a USD 2.09 billion hike by totaling USD 34.77 billion.

Customers demand deposits (+0.81%) and savings deposits (+9.4%) held by the financial system grew during the surveyed period. In this way, a rearrangement of bank deposits continued to be recorded, as immediate demand deposits increased. However, it is also worth noting that even though both components are still growing, they do so slowly. As expected, consumer reactivation and base effects compared to 2020 were reduced.

On the other hand, the growth of fixed-term deposits has lost momentum. Although until a few months ago the reported balances had grown, in April customers fixed-term deposits showed a decrease of 0.65% versus April 2021. The underperformance of these financial investment instruments is consistent with the higher risk aversion, the start of an interest rate hikes cycle that reduce earnings expectations for this type of instruments in the short-term, and financial investment alternatives that could be more attractive.

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 world faces a much more complicated situation this year compared to 2021, since, in addition to the risk of the pandemic, which has not ended, the Ukraine-Russia war, the international monetary policy by central banks much more restrictive than originally anticipated, and the greater volatility in financial markets worldwide. Due to the foregoing, the SBP will continue monitoring these risks and the potential effects they could trigger on Financial Stability.

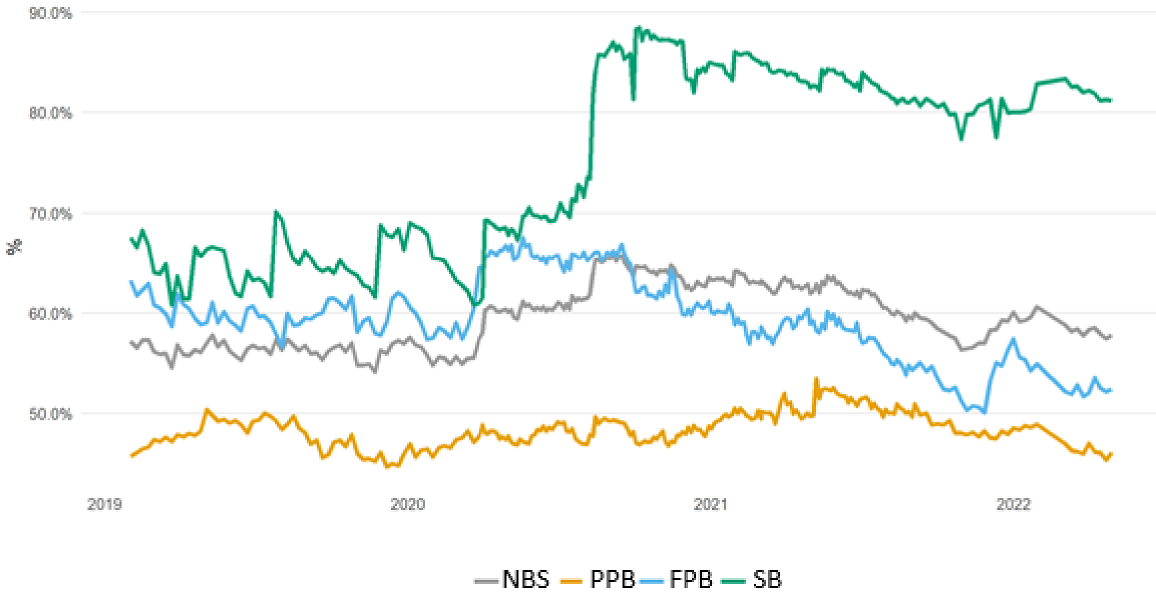
A. Liquidity

As of April 2022, the liquidity of the Banking System reached 58.0%, almost twice the regulatory minimum. The domestic banking system has recorded a more well-heeled liquidity position since March 2020 (**see Graph 1**), because of the accumulation of short-term assets in a high uncertainty context, which responds 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 reached in 2021, the financial system maintains adequate liquidity levels at the aggregate level, with sufficient resources to meet its short-term financing needs and which, in turn, will make it easier to resume credit growth. The decrease recorded reflects greater loan disbursement.

Graph 1: Weekly average liquidity ratio

April 2019 – April 2022



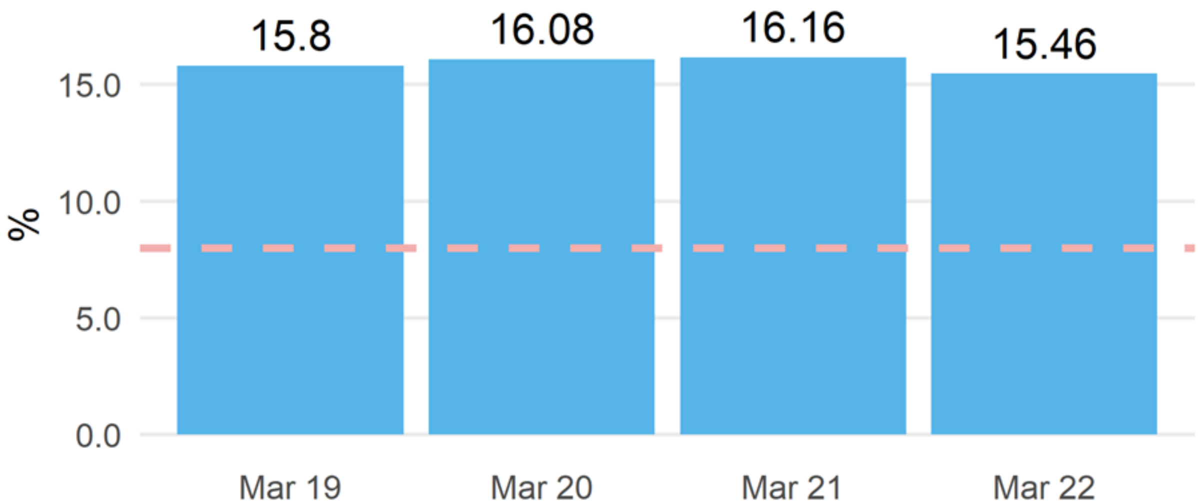
Source: General License Banks

B. Solvency

At the end of the 1Q2022, the International Banking Center's aggregate solvency indicators remained at high levels. The capital adequacy ratio on risk-weighted assets (RWA) was 15.46% as of the end of the 1Q2022 (**see Graph 2**), almost double the regulatory minimum of 8%. The capital compliance of the group of banks did not record significant changes with respect to the 4Q2021. In a year-on-year comparison, this ratio fell slightly (-0.77 bp).

This decrease was the result of an increase in RWAs, driven by the performance of loans to the private sector. Currently, all banks running operations comply with bank capital regulatory standards.

Graph 2: Capital Adequacy Ratio
March 2019 – March 2022



Source: General and International License Banks

C. Income Statement

As of April 30, 2022, the IBC reported an accumulated net income of USD 648 million, a 54.6% increase versus the same period of 2021. Despite the uncertainty of the current international context, the banking system continues to see improvements in its results, which is the product of the better performance of most of the margins, the extraordinary income by a banking group, and the 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 (+36.0%) and net interest income (+10.5%) in its portfolio interest income and securities income.

General expenses of USD 916.4 million increased by 21.1% on a year-on-year basis. This increase responds 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 220.9 million were set, they decreased by 19.9%, when compared with that of April 2021. It is noteworthy that after the strong generation of preventive estimates for credit risks because of the beginning of the pandemic, during 2021, the rate of accumulation of these provisions has been slowing down as there was less uncertainty regarding portfolio impairment and it was cleared. The lower generation of provisions continues to favor the performance of the sector's profit. However, although the increase in business volumes, the performance of interest rates and good efficiency will support profitability, such provisions are 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.-Apr. 2021	Jan.-Apr. 2022	Difference %	Difference USD
Net interest income	740.8	818.5	10.5%	77.8
Other income	711.2	966.9	36.0%	255.7
Operating income	*1,451.9*	*1,785.4*	*23.0%*	*333.5*
General expenses	*757.0*	*916.4*	*21.1%*	*159.5*
Profit before provisions	695.0	869.0	25.0%	174.0
Provisioning expenses	275.7	220.9	-19.9%	-54.8
Profit for the period	**419.2**	**648.1**	**54.6%**	**228.8**

Source: General and International License banks.

The National Banking System recorded accumulated net profits, as of April 2022, of USD 462.3 million, 29.4% more than that of April 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)

National Banking System	Jan.-Apr. 2021	Jan.-Apr. 2022	Difference %	Difference USD
Net interest income	705.0	766.6	8.7%	61.6
Other income	617.9	761.9	23.3%	144.0
Operating income	*1,322.9*	*1,528.5*	*15.5%*	*205.6*
General expenses	*693.1*	*848.0*	*22.3%*	*154.9*
Profit before provisions	629.8	680.5	8.1%	50.7
Provisioning expenses	275.5	218.2	-19.9%	-54.3
Profit for the period	**357.3**	**462.3**	**29.4%**	**105.0**

Source: General license banks.

Banks in the system are expected to continue with cost control and operational efficiency strategies. Currently, IBC efficiency levels are around 51%.

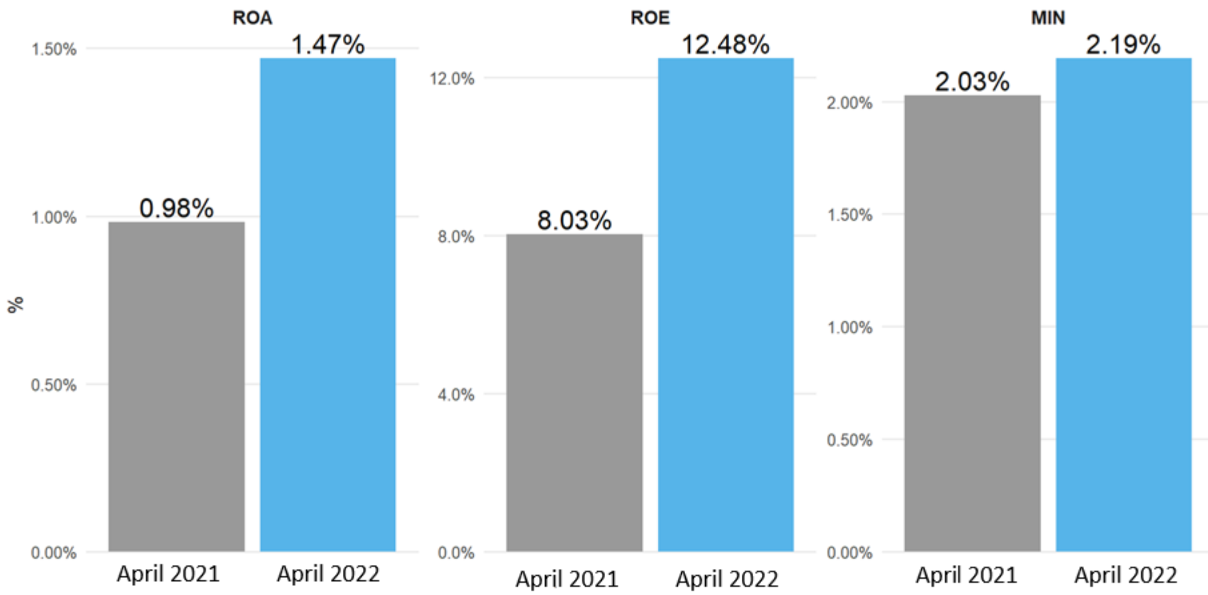
D. Profitability indicators

In April 2022, the IBC showed positive profitability indicators. In the accumulated through April, the total IBC results reached 1.47% (ROA) and 12.48% (ROE); i.e., 0.49 bp and 4.45 bp higher than that of April 2021, respectively (**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 financial services provision, 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 phasing out temporary regulatory flexibilities.

Graph 3: Profitability Indicators - IBC

April 2021 – April 2022



Source: General and International License banks

E. Balance Sheet

The assets of the International Banking Center, as of April 2022, totaled USD 136 billion, a USD 7.52 billion growth versus April 2021, i.e., a year-on-year growth of 5.9%, which is the result of increases in the net loan portfolio (9.3%) and the securities portfolio (16.2%). On the liquid assets' side, although they fell short (-13.0%), this is a counterpart reflection of credit increase. It should be remarked that funding levels are stable and above the regulatory minimum required, and both the balance of cash and cash equivalents continue at high levels in a broad time frame.

Regarding the net loan portfolio, as of April 2022, the International Banking Center grew 9.3% to reach USD 77.95 billion. The sustained increase in the loan portfolio responds mainly to the boost given by entities to the placement of productive loans and preferential interest rate mortgages. On the performance of the external loan portfolio, it increased by 26.3% on a year-on-year basis, and highlights the IBC's role in meeting, from Panama, the financing needs of Latin American and Caribbean countries, which we estimate, can keep improving.

Recently, problems with the supply chain, geopolitical risks, among others, have brought a strong appetite for regionalization strategies, also known as *nearshoring*, which could open interesting opportunities not only for the country as an investment recipient, but for banks as well, as support for these new initiatives for regional financing.

So far this year, the investment portfolio recorded a year-on-year increase of USD 4 billion (16.2% year-on-year). However, in monthly terms, the portfolio fell by USD 535 million, a 1.3% decrease, based on the underperformance of the external securities portfolio that shrunk by USD 624.7 million versus March 2022 (a 3.3% decrease). During this month, major global stock markets showed devaluations as well as the United States tenders throughout the curve, in accordance with monetary policy rate hikes and the expectation of new hikes in the coming months. As indicated in previous reports, the interest rate hikes by the central banks of developed countries and the greater uncertainty in markets due to idiosyncratic and external factors could cause volatility in said instruments, which is why the SBP will monitor them closely.

Regarding the sources of bank financing, deposits recorded an increase of USD 3.11 billion (3.3%), which is the product of the resulting performance of domestic deposits, which grew 1.6% (USD 1.03 billion) and external deposits that increased by 6.4% (USD 2.09 billion) in nominal terms. The deposits of the International Banking Center, as of April 2022, totaled USD 98.21 billion. It should be important to remember that deposits in the financial system overall maintained a very important expansion performance between 2020 and 2021, even recording highs, as part of a very high uncertainty context triggered by COVID-19, and although it has slowed down domestically, the positive trend is still maintained. 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 26.9% and 10.7% versus April 2021, respectively. It is worth noting that, although bank deposits are on a record 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**	**2022**	**Apr. 22/Apr. 21 Difference**	
	April	**April**	**Total**	**%**
Liquid assets	25,714.4	22,363.3	-3,351.0	-13.0%
Net loan portfolio	71,326.0	77,946.3	6,620.2	9.3%
Domestic	*52,131.9*	*53,694.8*	*1,562.9*	*3.0%*
External	*19,194.1*	*24,251.5*	*5,057.4*	*26.3%*
Securities	24,662.7	28,656.6	3,993.9	16.2%
Other assets	6,777.6	7,030.9	253.4	3.7%

Breakdown	2021	2022	Apr. 22/Apr. 21 Difference	
	April	April	Total	%
Total Assets	**128,480.7**	**135,997.1**	**7,516.5**	**5.9%**
Deposits	95,097.9	98,205.1	3,107.2	3.3%
Domestic	*62,413.3*	*63,438.8*	*1,025.4*	*1.6%*
External	*32,684.6*	*34,766.3*	*2,081.8*	*6.4%*
Obligations	14,436.0	18,313.4	3,877.4	26.9%
Other liabilities	3,450.7	3,819.6	368.9	10.7%
Capital	15,496.0	15,659.0	163.0	1.1%

Source: General and International License banks

As for the National Banking System (general license banks only), assets totaled USD 119.77 billion, USD 5.57 billion or 4.9% more than that of April 2021. The net loan portfolio of the National Banking System showed a USD 5.08 billion (6.8%) increase totaling USD 70.97 billion. Net external loans grew 26.8%, while the domestic portfolio had a performance of 7.4%. On the other hand, total deposits placed in the NBS totaled USD 85.89 billion, a 1.6% rise, which is mainly the result of customer deposits.

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

Breakdown	2021	2022	Apr. 22/Apr. 21 Difference	
	April	April	Total	April
Liquid assets	20,613.1	18,371.3	-2,241.9	-10.9%
Net loan portfolio	65,886.2	70,964.6	5,078.4	7.7%
Domestic	*52,131.9*	*56,012.5*	*3,880.5*	*7.4%*
External	*13,754.3*	*17,437.9*	*3,683.6*	*26.8%*
Securities	21,121.9	23,722.4	2,600.5	12.3%
Other assets	6,577.8	6,708.4	130.6	2.0%
Total Assets	**114,199.0**	**119,766.6**	**5,567.6**	**4.9%**
Deposits	84,532.6	85,889.8	1,357.2	1.6%
Domestic	*62,326.5*	*63,373.4*	*1,046.9*	*1.7%*
External	*22,206.1*	*22,516.4*	*310.3*	*1.4%*
Obligations	14,257.5	18,222.2	3,964.7	27.8%
Other liabilities	3,328.2	3,626.7	298.5	9.0%
Capital	12,080.7	12,027.9	-52.8	-0.4%

Source: General License banks

F. Loans

As of April 2022, the domestic loan portfolio amounted to USD 56.02 billion (88.1% of GDP), a USD 1.87 billion or 3.2% increase versus April 2021 (a year-on-year growth of 3.4%). It should be noted that, although the country is undergoing an economic recovery, it has been asymmetrical as some sectors are still under a recovery process. It should be emphasized that, in terms of balances, all sectors show better performances, which would reflect the sectoral reactivation, and of a greater loan demand. Both private consumption indicators in the domestic market, such as the Monthly Index of Economic Activity (IMAE, for its acronym in Spanish) and those related to retail, have shown a significant upturn that boosts (with a certain lag) growth in balances.

The sectors that had a significant decrease were construction (-USD 430.1 million); financial and insurance activities (-USD 46.9 million); and mining and quarrying (-USD 3.3 million). The sector with the greatest lag is construction because investment reactivation has been slow after overcoming the base effect associated with the pandemic and has shown a lagged effect in boosting the sector's corporate loan demand. In the case of the other sectors, the weak corporate loan performance could have responded to the fact that some of them had accumulated reserves from the important provision of credit lines that they made at the beginning of the pandemic and that they have kept as fixed-term deposits for later use. This made them to stop the demand for credit or resort to other sources of financing.

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

Sector	2021	2021	Mar. 22/Mar. 21 Difference	
	April	April	Total	%
TOTAL	**54,147.6**	**56,012.5**	**1,864.9**	**3.4%**
Public sector	1,424.8	1,476.1	51.3	3.6%
Private sector	52,722.7	54,536.4	1,813.6	3.4%
Financial & insurance activities	1,335.8	1,288.9	-46.9	-3.5%
Agriculture	410.3	452.7	42.3	10.3%
Livestock	1,344.2	1,387.0	42.8	3.2%
Fishing	76.6	87.7	11.1	14.5%
Mining & Quarrying	56.0	52.7	-3.3	-6.0%
Commerce	10,397.0	11,019.0	622.0	6.0%
Industry	2,725.7	3,084.3	358.6	13.2%
Mortgages	18,413.6	19,057.8	644.3	3.5%
Construction	5,577.4	5,147.3	-430.1	-7.7%
Personal consumption	12,386.1	12,959.1	572.9	4.6%

Source: General License banks

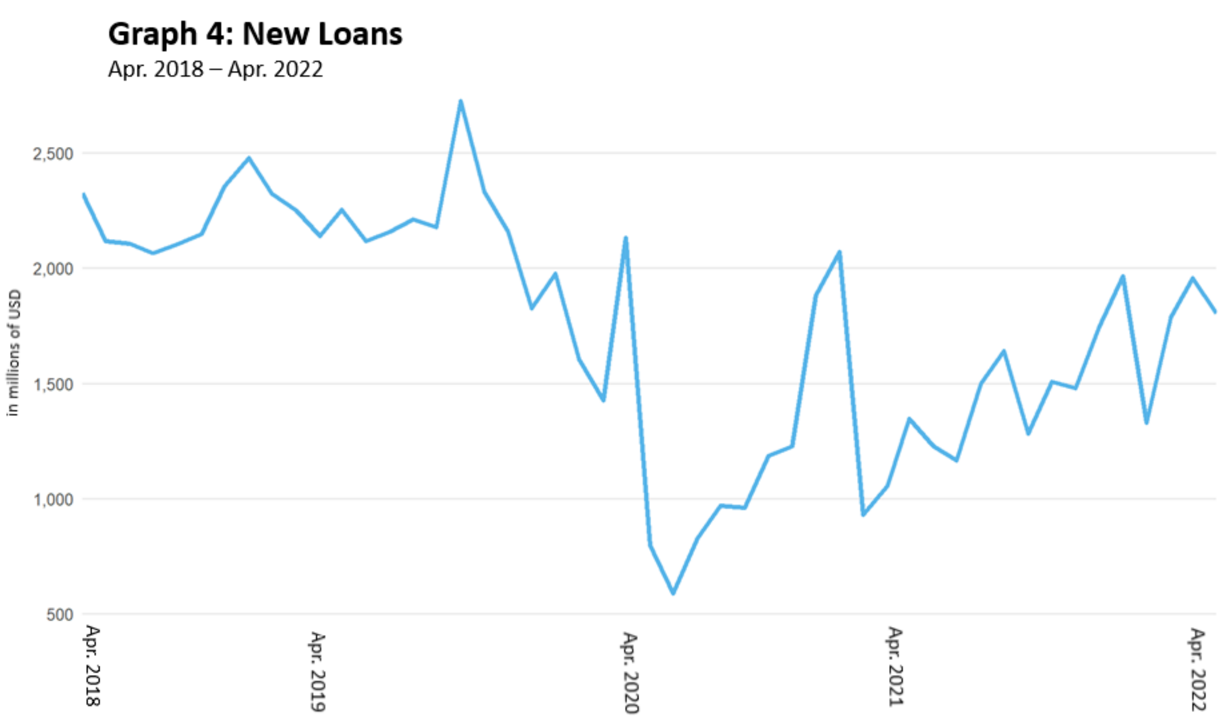
The household loan portfolio made up of mortgages (+3.5%) and personal consumption (+4.6%) continue to show a positive performance in their different segments but have begun to show a slight slowdown. Greater inflationary pressure, coupled with precautionary grounds associated with the different contagion waves experienced at the beginning of the year, were shown in an intermittent recovery and a somewhat moderated consumption that limited the demand for this type of loans and affected the lesser loans granted.

As of April 2022, new loans accumulated a total of USD 6.88 billion, a 50.8% increase compared to a year earlier. It should be noted that all sectors show positive performances, which would be the reflection of the sectoral reactivation and a greater need to fund current expenses at price hikes.

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

Sectors	2021	2022	Jan.-Apr. 21/22 Difference	
	Jan.-Apr.	Jan.-Apr.	Total	%
Public entity	70.7	218.9	148.2	209.6%
Financial companies	244.4	411.0	166.6	68.2%
Agriculture (incl. forestry)	53.5	99.1	45.6	85.4%
Livestock	167.5	238.4	70.9	42.4%
Fishing	5.0	6.7	1.6	32.6%
Mining & Quarrying	3.2	8.5	5.3	169.0%
Commerce (incl. Services)	2,007.8	3,340.4	1,332.6	66.4%
Industry	655.8	775.0	119.1	18.2%
Mortgages	492.1	639.4	147.3	29.9%
Construction	309.9	435.2	125.3	40.4%
Personal consumption	550.3	704.4	154.1	28.0%
TOTAL	**4,560.2**	**6,877.0**	**2,316.8**	**50.8%**

Source: General License banks



Source: General License Banks

G. Modified Portfolio of the National Banking System

The modified [loan] portfolio as of April 2022 reached USD 6.01 billion. The issuance of prudential regulations promoted reaching to agreements between banks and their clients, with which, as of the second half of the year, there are significant shifts towards the unmodified [loan] portfolio. This represented a USD 11 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 the 1Q2022, the portfolio that could entail the greatest risk would be the modified doubtful and modified loss categories, since, to date, they have not been able to make payment arrangements, and together amounted to USD 1.21 billion. These performances are linked to the improvement in monthly installments, however, the portfolio classified in this category is still higher and could entail greater provisioning.

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

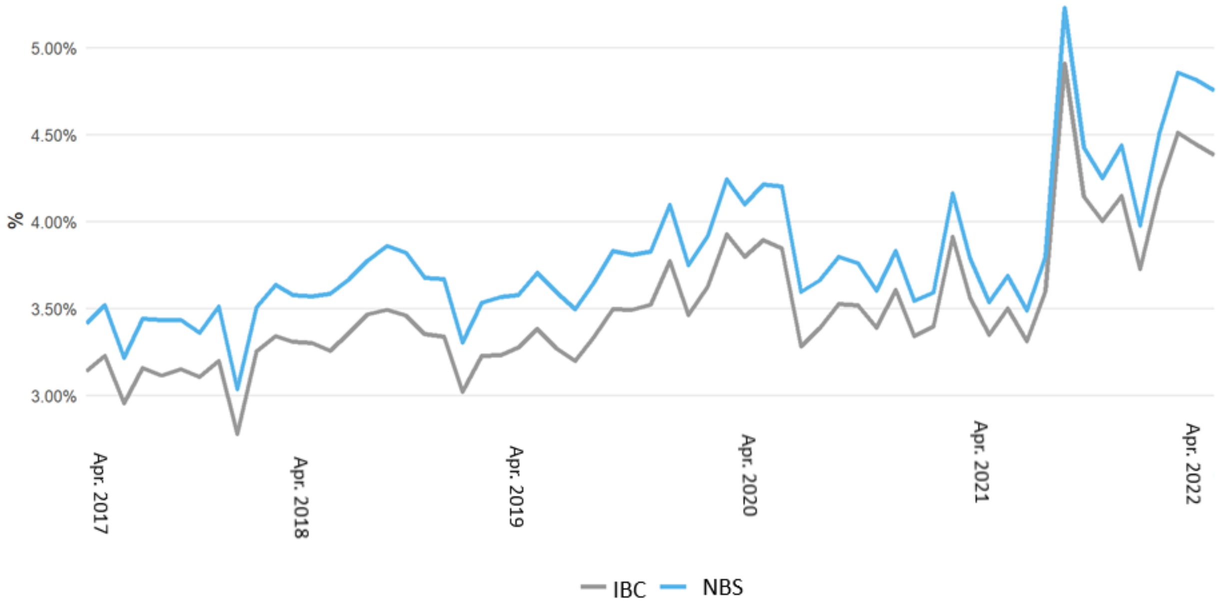
Sectors	2021 April	2022 April	Total Diff.	% Diff.
Mortgages	7,836	2,889	-4,947	-63%
Consumer	3,508	1,478	-2,030	-58%
Construction	2,507	615	-1,892	-75%
Services	2,079	611	-1,468	-71%
Commerce	1,179	238	-941	-80%
Industry	288	68	-220	-76%
Others	358	111	-247	-69%
Total	**17,755**	**6,010**	-11,745	-66%

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 nonperforming loans, which at some point was at high levels and due to regulation, it was not classified as a delinquent portfolio.

Graph 5: Portfolio Quality
Apr. 2017 – Apr. 2022



Source: General License Banks

As of the end of the 1Q2022, the National Banking System showed a delinquency ratio of 4.4%, of which 2.1% represents loans with arrears of 30+ days and 2.6% for loans with arrears of over 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.

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 April 2020 to April 2022. For the months between June and August 2021, an increase is 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 the 1Q2022, the delinquency ratio is of 7.8% and 7.0%, respectively. While for Agricultural and Livestock activities, the delinquency is of 8.9%; Construction has also been one of the most affected sectors during this period, its current delinquency is of 5.8%; meanwhile, Commerce has a delinquency of 4.0%.

I. Deposits

As of April 2022, the deposits of the International Banking Center rose to 3.27% versus April 2021. This difference results from an increase in both domestic and external deposits, having in common that both respond significantly to the growth of customer deposits. Such performance shows that customer and external bank depositors trust the strength of the IBC banks and the country's macroeconomic stability despite going through complicated times.

The deposits placed in the market, as of April 2022, recorded a total of USD 98.21 billion, USD 3.11 billion more than that of April 2021 (**see Table 8**). If the analysis is focused on domestic deposits, an increase was recorded as of April 2022, to reach USD 63.44 billion, a 1.64% growth versus April 2021. On the other hand, external deposits recorded an increase of USD 2.09 billion, amounting to USD 34.77 billion. 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	Apr. 22 / Apr. 21 Diff.	
	April	April	Total	%
Deposits	**95,097.9**	**98,205.1**	**3,107.20**	**3.27%**
Domestic	**62,413.3**	**63,438.8**	**1,025.44**	**1.64%**
Government	12,139.2	12,335.3	196.09	1.62%
Customer	46,839.9	47,969.1	1,129.11	2.41%
Banks	3,434.1	3,134.4	(299.76)	-8.73%
External	**32,684.6**	**34,766.3**	**2,081.76**	**6.37%**
Government	127.9	401.4	273.47	213.80%
Customer	25,126.6	27,394.6	2,267.99	9.03%
Banks	7,430.1	6,970.4	(459.70)	-6.19%

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 85.89 billion, a 1.6% increase versus April 2021, driven by domestic and external deposits (**see Table 9**).

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

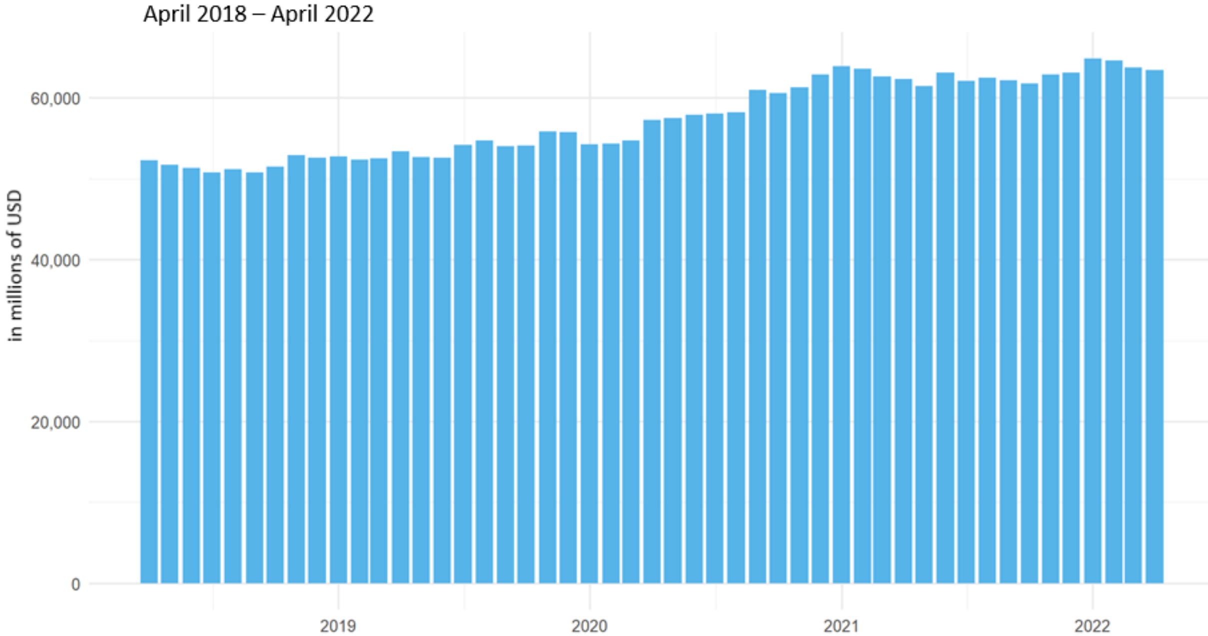
Breakdown	2021	2022	Apr. 22 / Apr. 21 Diff.	
	April	April	Total	%
Deposits	**84,532.6**	**85,889.8**	**1,357.20**	**1.61%**
Domestic	**62,326.5**	**63,373.4**	**1,046.93**	**1.68%**
Government	12,139.2	12,335.3	196.09	1.62%
Customer	46,839.9	47,969.1	1,129.11	2.41%
Banks	3,347.3	3,069.0	(278.26)	-8.31%
External	**22,206.1**	**22,516.4**	**310.27**	**1.40%**
Government	127.9	399.2	271.32	212.22%
Customer	15,326.8	15,651.6	324.80	2.12%
Banks	6,751.4	6,465.6	(285.86)	-4.23%

Source: General License banks.

The structure of the IBC deposits is based mainly on collecting customers and corporate deposits, which hold 85% of total deposits and the remaining 15% are interbank positions. It should be remarked that the domestic deposits of the National Banking System represent 76% 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 (see **Graph 8**) (sic).

Graph 6: Total Domestic Deposits

April 2018 – April 2022



Source: General license banks.

Regarding the structure of domestic and external customer liabilities by maturity, fixed-term deposits continue to be the most important savings instrument accounting for 54.7% of the total. As of April 2022, domestic customer fixed-term deposits amounted to USD 24.51 billion, followed by savings rising to USD 14.13 billion, and demand deposits totaling USD 9.34 billion.

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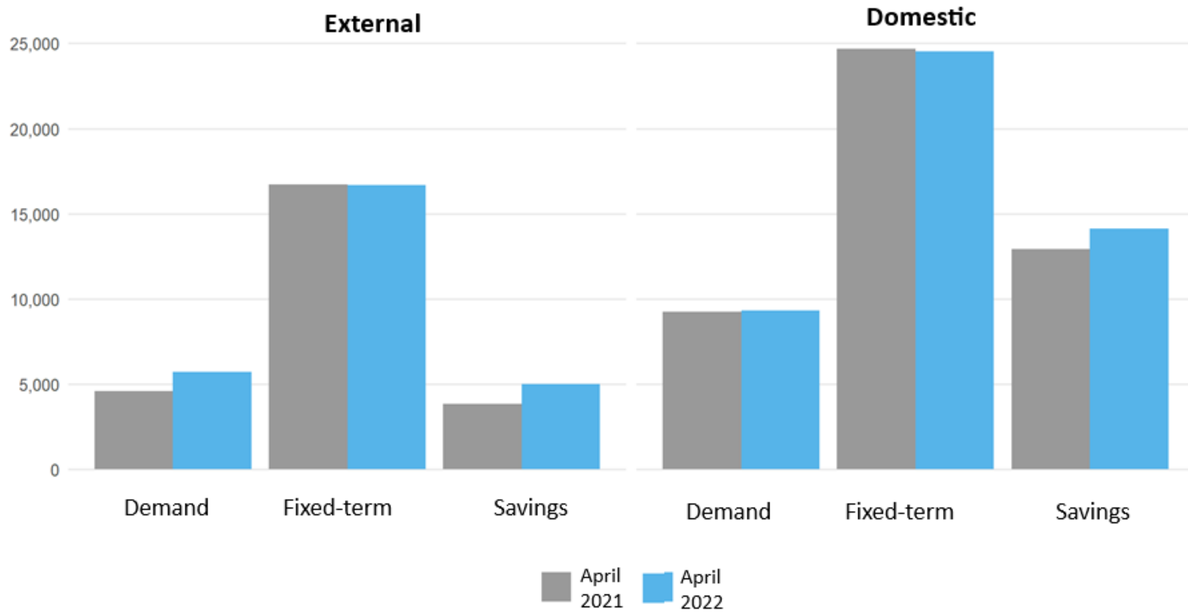
Graph 7: Customer Deposits
April 2021 – April 2022



Source: General and International license banks.

Customers demand deposits (+0.81%) and savings deposits (+9.4%) held by the financial system grew during the surveyed period. In this way, a rearrangement of bank deposits continued to be recorded, as immediate demand deposits increased. However, it is also worth noting that even though both components are still growing, they do so slowly. As expected, consumer reactivation and base effects compared to 2020 reduced the growth of demand deposits and savings.

On the other hand, the growth of fixed-term deposits has lost momentum. Although until a few months ago the reported balances had grown, in April customers fixed-term deposits showed a decrease of 0.65% versus April 2021. It should be noted that the performance observed in fixed-term deposits, in the entire market, is related to the expectation of interest rate hikes. The underperformance of these financial investment instruments is consistent with the higher risk aversion, the start of an interest rate hikes cycle that reduces earnings expectations for this type of instruments in the short-term, and financial investment alternatives that could be more attractive. When there is an expectation that rates are going to increase, it is common for savers to leave their money [deposited] in the short-term. In this way, they would have capital available to invest when the increase in yields occurs and thus agree on operations with better rates.

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