Superintendencia de Bancos de Panamá

Banking Activity Report

April 2024

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Executive Summary

At the end of April 2024, the Panamanian International Banking Center (CBI) reported an increase in its total assets, reaching USD 148.69 billion, a figure that reflects a year-on-year increase of USD 7.24 billion, or 5.12%. This increase is attributed to the implementation of a strategy aimed at maximizing profitability on productive assets, complemented by active and strategic management of available resources. At the same time, a strengthening of the capital and liability structure has been observed, which, beyond optimizing profitability, could also mitigate potential risks anticipated in 2024.

The behavior of the portfolio's main aggregate shows that the credit supply remains on a growth path of 5.0% annually, driven mainly by the increase in the commercial and consumer portfolios. In analyses conducted by the SBP over the last twenty years, it has been shown that, in the months prior to the elections, there were sometimes decreases in credit volumes due to expectations of job continuity in some government positions. However, at the end of April this year, the growth of local credit flows has been positive.

At the end of April 2024, the National Banking System's (SBN) local credit portfolio recorded a balance of USD 61.58 billion. This amount reflects an increase of 5.0% compared to the same period of the previous year, which translates into a growth of USD 2.95 billion. Although various portfolios that make up this local aggregate showed growth at an annual rate, some had a negative performance. During the period from January to April 2024, the National Banking System granted new credits totaling USD 7.81 billion, representing an increase of 20% compared to the same period of the previous year.

Regarding credit risk, during the analyzed period, a greater materialization was evident. The non-performing and overdue portfolio represents 4.2% of the total portfolio balance. The total non-performing loan indicator as a proportion of the portfolio balance stood at 2.4% in April 2024. However, the coverage of non-performing loans through provisions remains above 100%. Additionally, the non-performing loan and risk indicators of the consumer portfolio are still at high levels but have shown stability in recent months. It is worth mentioning that both indicators reflect a higher percentage of arrears compared to the periods prior to the pandemic. The financial burden for households remains stable, while savings levels, especially term savings, are showing recovery. Given these indicators and the lower economic performance expected for this year, proactive risk management is crucial. In addition, the ability to adapt to a constantly evolving economic environment will be decisive in preserving the CBI's stability and promoting its sustainability in the face of future challenges.

In April 2024, the International Banking Center experienced a remarkable year-on-year growth of 6.9% in the balance of traditional bank deposits, reaching a total deposit volume of USD 106.71 billion. This progress was supported by two main pillars: a 6.1% increase in domestic deposits, which reached USD 66.0 billion, and a robust 8.1% surge in foreign deposits, totaling USD 40.70 billion.

By the end of April 2024, banks belonging to the International Banking Center recorded accumulated profits of USD 1.07 billion, marking a 14.36% increase compared to the same month of the previous year. This notable growth in profits is attributed to several key factors: improvement in the financial margin and fees for credit granting, along with continuous containment of operating costs contributing to increased efficiency. Additionally, it benefited from a decrease in provisions, adjusted based on a preventive assessment of credit risks. It is remarkable that results varied among institutions, emphasizing the critical importance of operational improvement and decisions related to cost, efficiency, customer retention, and other elements affecting performance are more crucial than ever for the banking sector. Asset profitability responded significantly to the increase in the net interest income category (3.3%). Component-wise, interest income increased by 16.6% compared to the accumulated amount of the same month of the previous year, while operating expenses management increased by 27.6%. Interest income from loans increased by 14.5% (a difference of USD 275.05 million), while interest paid, primarily for term deposits, increased by 29.1% (USD 361.71 million). This suggests that changes in deposit interest rates could have greater sensitivity, potentially exerting more pressure on interest margins. This is relevant if interest rates could remain at higher levels for longer than currently anticipated by markets.

In conclusion, based on the joint analysis of several indicators the stability of the financial system remains resilient, with robust liquidity and solvency ratios despite the lower performance of the economy at the beginning of the year and the challenges of the external sector. Current regulations and prudential supervision measures implemented to promote strength in risk management allow credit institutions to mitigate the impact of the deterioration of the portfolio observed throughout the year and the foreseeable risks for the remainder of 2024. It is crucial that entities continue to improve their risk management practices and strengthen their capital reserves to ensure an effective response to fluctuations in portfolio quality and other emerging challenges in 2024. Banking supervision exercised by the SBP will remain vigilant, promoting a stable and resilient financial environment.

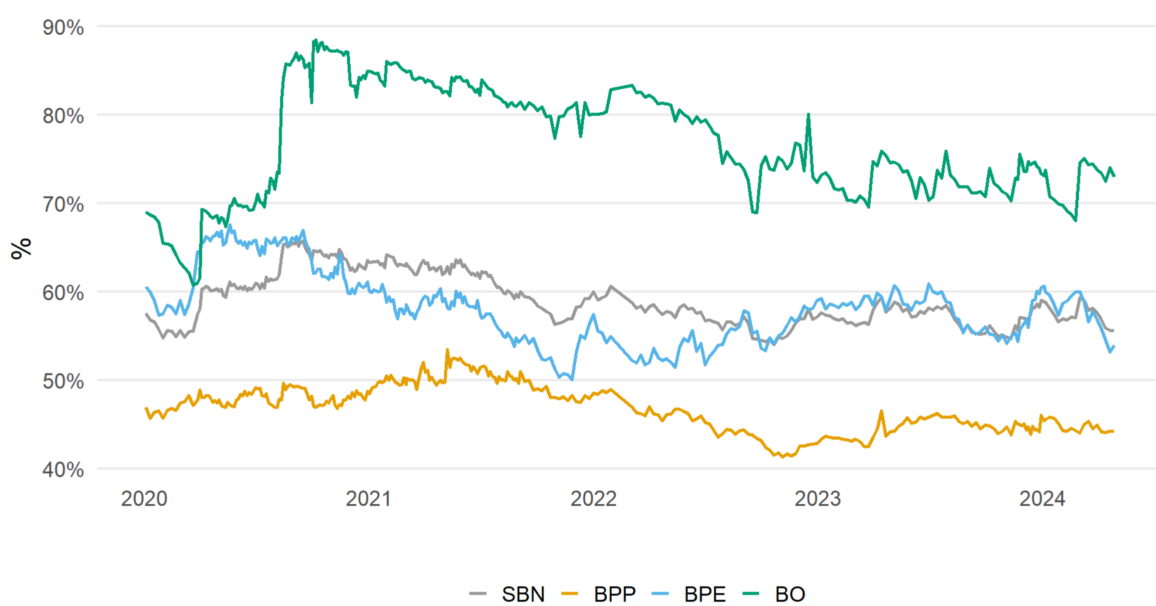
It will undoubtedly be vital for the country that the new administration focuses on promoting economic development oriented towards the productive sector, accompanied by an environment of social stability, which will be supported by bank credit for its proper performance.

A. Liquidity

At the end of the first quarter of 2024, the Panamanian banking sector exhibited a positive operating condition, reflected in an average liquidity ratio of 58.39%. This liquidity level, exceeding regulatory standards, was primarily attributable to an increase in deposit volumes, indicating active and efficient balance sheet management. Historically, the National Banking System has consistently maintained robust liquidity buffers and a steady flow of structural and wholesale deposits, which constitute an essential part of its funding.

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

Graph 1: Weekly Average Liquidity Ratio
April 2023 – April 2024



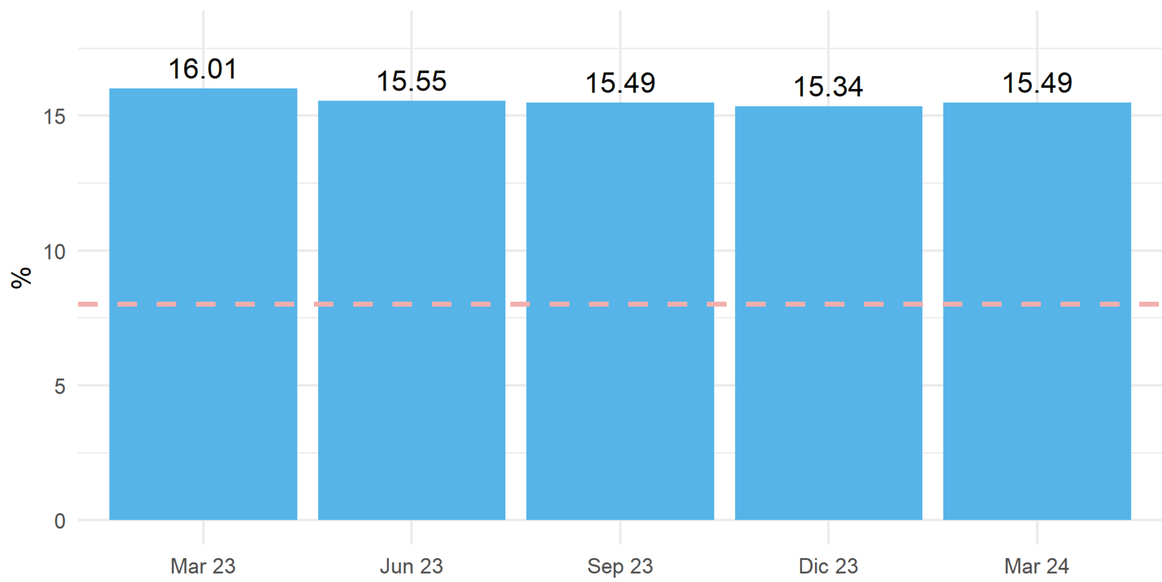
Source: General license banks.

B. Solvency

The latest Capital Adequacy Ratio (CAR) indicates that the banks within the International Banking Center have maintained adequate solvency indicators, positioning the CBI favorably. Specifically, the CAR on risk-weighted assets stood at 15.49% (see **Graph 2**), surpassing not only the regulatory threshold of 8% but also demonstrating positive financial resilience against adverse scenarios. This performance remains consistent compared to the previous quarter, indicating stability in the capital of banks within the CBI.

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

Graph 2: Capital Adequacy Ratio
April 2023 – April 2024



Source: General and international license banks.

C. Income Statement

As of April 2024, banks within the International Banking Center reported accumulated profits of USD 1.07 billion, marking a 14.36% increase compared to April 2023. This remarkable growth in profits is due to several key factors, such as the improvement of the financial margin and commissions granting credit, the receipt of dividends, and continuous containment of operating costs that led to increased efficiency. Additionally, they benefited from the decrease in provisions, adjusted based on credit risk preventive assessment.

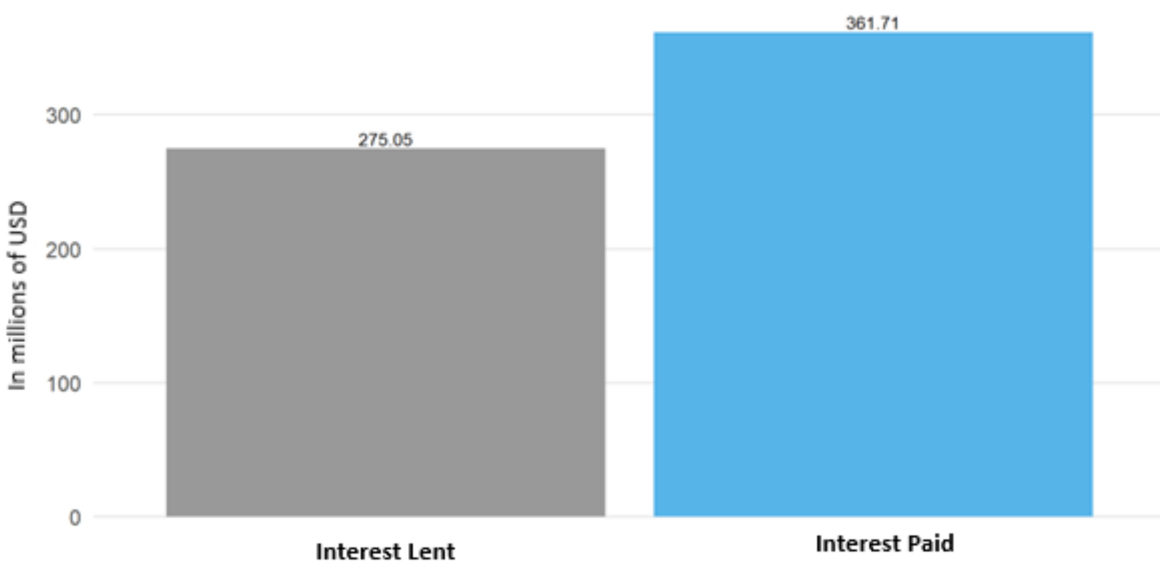
It is worth noting that the results were heterogeneous among institutions, which underscores the critical importance of operational improvement and decisions related to costs, efficiency, customer retention, and other elements that affect performance. These factors are more important than ever for the banking sector.

The Return on Assets (ROA) showed a positive response to a 3.3% increase in net interest income. Component-wise, interest income increased by 16.6% compared to the accumulated amount of the same month of the previous year, while operating expenses management increased by 27.6%. Specifically, interest income from loans increased by 14.5% (a difference of USD 275.05 million), while interest paid, primarily on time deposits, increased by 29.1% (USD 361.71 million).

This suggests that changes in deposit interest rates could have greater sensitivity, potentially exerting greater pressure on interest margins (**see Graphs 3 and 4**). This is relevant if interest rates remain at higher levels for longer than currently anticipated by the markets.

Graph 3: Changes in Interest Paid and Interest Lent

April 2024 vs. April 2023



Source: General and international license banks.

General Expenses have also contributed to this performance through process optimization and cost reduction, directly impacting the improvement of bank profitability. In particular, the 'General Expenses' item experienced a slight 5.4% increase, reaching USD 1.05 billion. This favorable result has been influenced positively by the acceleration in the adoption of digital channels, which facilitate scalable processes and allow cost reduction in the medium term. The integration of digital technologies not only optimizes operational efficiency but also establishes a solid foundation for sustainable growth by leveraging automation and continuous improvement in service delivery, resulting in a more efficient and competitive cost structure.

Provisioning expenses decreased from USD 181.6 million in April 2023 to USD 175.9 million in April 2024, marking a 5.7% reduction. While this reduction can be attributed to the coverage levels of provisions established during the pandemic, which served as an effective buffer during challenging periods, there are still existing risk factors due to the lower domestic economic performance, the increase in the country's risk premiums, and risks originating abroad. It is foreseeable that as the economy moves towards a stabilization phase, there could be an increase in deterioration and delinquency levels. This could require banks to strengthen their provisioning levels, considering prospective risks and integrating an anticipatory view of possible expected losses as measures to mitigate potential future risks.

It is foreseeable that the banks comprising the CBI will continue to implement processes aimed at expenditure management and continuous improvement in operational efficiency. Currently, the CBI's operational efficiency stands at 46% compared to 47% a year earlier. Investments in technology and digitization could help improve operational efficiency, reduce costs, and potentially increase revenue, which, in turn, would positively influence asset profitability. This metric suggests that there is potential for improvement in process optimization and cost control. It is desirable that future CapEx[1] investments focus on digital transformation and cybersecurity improvement projects, aligning with the strategy of sustainable growth and operational resilience.

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

International Banking Center	Jan.-Apr.	Jan.-Apr.	Difference	
	2023	2024	%	USD
C. Net interest income	1,125.6	1,163.1	3.33%	37.5
D. Other income	993.1	1,138.3	14.62%	145.2
E. Operating income	2,118.7	2,301.4	8.62%	182.7
F. General expenses	997.3	1,050.8	5.36%	53.5
G. Profit before provisions	1,121.4	1,250.6	11.52%	129.2
H. Bad debt	181.6	175.9	-3.15%	-5.7
I. Profit for the period	939.8	1,074.7	4.36%	134.9

Source: General and International License banks.

As of April 2024, the National Banking System reported accumulated net profits of approximately USD 815 million, representing a 19.5% increase compared to April 2023. This remarkable growth in profits mirrors the performance observed in the International Banking Center, highlighting a trend of cost optimization in the banking sector. However, going forward, it may be necessary to increase provisioning expenses to address potential contingencies, thus ensuring long-term financial stability and strength.

[1] CAPEX is the abbreviation of "Capital Expenditure"

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

National Banking System	Jan-Mar	Jan-Mar	Difference	
	2023	2024	%	USD
C. Net interest income	998.6	1,038.6	4.01%	40.0
D. Other income	772.3	927.4	20.08%	155.1
E. Operating income	1,770.9	1,966.0	11.02%	195.1
F. General expenses	910.4	974.6	7.05%	64.2
G. Profit before provisions	860.5	991.4	15.22%	130.9
H. Bad debts	178.7	176.4	-1.26%	-2.3
I. Profit for the period	681.8	815.0	19.53%	133.2

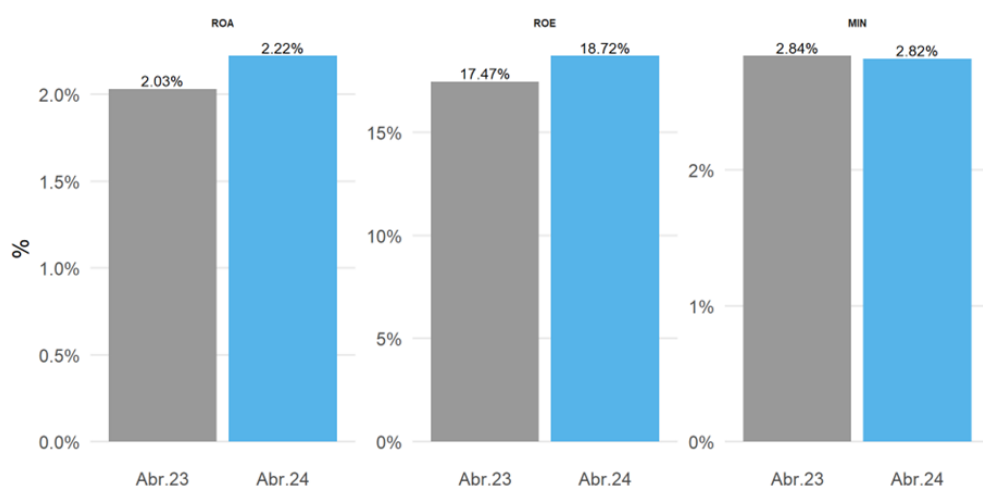
Source: General License banks.

D. Profitability indicators

A detailed analysis of the financial performance shows a notable improvement in profitability indicators during April 2024 compared to the previous year's results. Return on Equity (ROE) reached a solid 18.72%, while Return on Assets (ROA) stood at an outstanding 2.22%. These increases occurred in a context of continued loan growth and significantly reduced provisions for asset impairment.

It is important to mention that while most profitability metrics continue to improve, the Net Interest Margin (NIM) experienced a slight reduction from 2.84% in April 2023 to 2.82% in April 2024. While this could reflect competitive conditions where banks may aim to attract loans and maintain deposits by offering more attractive interest rates, it is necessary to evaluate the long-term viability of this type of structure, as interest rates are expected to remain higher for longer. Credit institutions must determine how they can meet the growing demand for this strategy as risk-taking capacity expands and many customers are seeking to maximize returns on their deposits. This underscores the need for careful strategic management to preserve profitability.

Graph 4: Profitability Indicators
April 2024 vs. April 2023



Source: General and international license banks.

E. Balance Sheet

At the end of April 2024, the Panamanian International Banking Center showed an increase in its total assets, reaching USD 148.70 billion, a figure that reflects a year-on-year increase of USD 7.24 billion, or 5.12%. This growth is attributed to the implementation of a strategy aimed at optimizing the return on productive assets, complemented by active management of available resources. Concurrently, a strengthening of the capital and liability structure has been observed, which, beyond optimizing profitability, could also mitigate potential risks foreseen for 2024.

However, while this strategy could enhance financial performance and mitigate certain risks, it is necessary to consider greater anticipation and planning given the less vigorous economic environment for this year. This factor could increase the risk of portfolio deterioration, which banks in the market must carefully evaluate.

The expansion on the asset side of the balance sheet reflects an acceleration in the growth dynamics of productive assets, driven primarily by a 6.47% increase in the net loan portfolio, which closed with a balance of USD 89.71 billion, and a 13.93% rise in the securities component. Additionally, during the same period, there was a 10.64% decrease in liquid assets, reflecting a strategic reallocation towards higher-yielding assets, indicating active and efficient resource management. This should ensure an adequate balance between risk and return.

It is relevant to highlight the importance of the loan portfolio within the CBI's asset structure, as it constitutes most of these assets. Additionally, the performance of the external segment of the net loan portfolio showed an 8.37% growth, suggesting possible geographical diversification in the CBI's lending operations.

From the liabilities side, deposits play a crucial role in the CBI's funding model, allowing for less reliance on wholesale funding and market debt issuances, which tend to be more volatile. As of April 2024, deposits reached USD 106.71 billion, reflecting a 6.88% year-on-year growth. The sustained growth in deposits and the strategic preference for fixed-term deposits highlight the strength and prudence of the CBI's funding structure. This approach not only optimizes the entity's risk and cost profile but also underscores a commitment to long-term stability, a crucial factor for investors.

In the face of a higher cost of capital, effective liability management strategies were evident, with a 2.41% decrease in financial obligations. Although the rise in the cost of borrowing is challenging, current market conditions suggest a renewed interest in financing strategies designed to mitigate future liquidity risks and take advantage of the opportunities presented by the current interest rate structure. This structure is characterized by a notable flattening of short- and medium-term rates, suggesting new ways to optimize the balance sheet and strengthen the long-term financial position.

Table 5: International Banking Center
Balance Sheet
(In millions of USD)

Breakdown	2023	2024	Difference Apr. 24 / Apr. 23	
	April	April	Total	%
Liquid assets	19,683.34	17,589.26	-2,094.09	-10.64%
Net credit portfolio	84,261.75	89,710.38	5,448.63	6.47%

Breakdown	2023	2024	Difference Apr. 24 / Apr. 23	
	April	April	Total	%
Domestic	56,447.50	59,567.36	3,119.86	5.53%
Foreign	27,814.25	30,143.02	2,328.77	8.37%
Securities	29,756.85	33,902.43	4,145.58	13.93%
Other assets	7,753.80	7,495.29	-258.51	-3.33%
Total Assets	**141,455.75**	**148,697.36**	**7,241.61**	**5.12%**
Deposits	99,844.41	106,711.06	6,866.65	6.88%
Domestic	62,198.93	66,001.79	3,802.86	6.11%
Foreign	37,645.48	40,709.26	3,063.79	8.14%
Obligations	20,375.45	19,883.44	-492.01	-2.41%
Other liabilities	4,624.98	4,268.03	-356.95	-7.72%
Capital	16,610.92	17,834.83	1223.91	7.37%
Liabilities and Capital	**141,455.75**	**148,697.36**	**7,241.61**	**5.12%**

Source: General and International License banks

As for the assets of the National Banking System (general license banks only), they amounted to USD 132.32 billion, indicating an increase of USD 7.54 billion or 6.05% compared to the previous year. The SBN's net loan portfolio showed a USD 5.42 billion (7.04%) increase, reaching USD 82.35 billion. Net foreign loans grew by 11.21%, while the net domestic portfolio grew by 5.53%.

The SBN's deposit base also showed an increase, reaching USD 94.13 billion, representing a 7.82% increase. This growth in deposits is positive, as it reflects public confidence and the soundness of the system's funding base, crucial elements for the stability and future expansion of the sector. At the same time, there was a 9.33% increase in net equity, evidence of a strengthened financial structure and a more robust capital base.

Table 6: National Banking System
Balance Sheet
(In millions of USD)

Breakdown	2023	2024	Difference Abr. 24 / Abr. 23	
	April	April	Total	%
Liquid assets	15,519.2	14,492.1	-1,027.0	-6.6%
Net credit portfolio	76,933.8	82,350.0	5,416.3	7.0%
Domestic	56,447.5	59,567.4	3,119.9	5.5%
Foreign	20,486.3	22,782.7	2,296.4	11.2%
Securities	24,986.2	28,374.3	3,388.1	13.6%
Other assets	7,333.9	7,099.3	-234.6	-3.2%
Total Assets	**124,773.0**	**132,315.8**	**7,542.8**	**6.0%**
Deposits	87,296.8	94,126.2	6,829.4	7.8%
Domestic	61,979.2	65,892.9	3,913.7	6.3%
Foreign	25,317.6	28,233.3	2,915.7	11.5%
Obligations	20,239.3	19,731.0	-508.3	-2.5%
Other liabilities	4,103.9	4,100.8	-3.1	-0.1%
Capital	13,133.0	14,357.7	1,224.7	9.3%
Liabilities and Capital	**124,773.0**	**132,315.8**	**7,542.8**	**6.0%**

Source: General License banks

F. Credit

As of April 2024, the domestic loan portfolio of the National Banking System reached USD 61.59 billion. This amount reflects an increase of 5.0% compared to the same period of the previous year, which translates into a net growth of USD 2.95 billion. Although all the portfolios that make up this domestic aggregate showed annual growth rates, some of them had negative performance.

In the corporate segment, the figures reveal that the growth dynamics of sectoral loans have been predominantly led by the commercial and industrial portfolios. Specifically, the industrial and commercial sectors have shown robust increases in their loans, with annual growth rates of 17.8% and 5.6%, respectively. These sectors have benefited from better-than-expected demand, allowing them to expand and develop. In contrast, other areas have experienced significant declines. The mining and quarrying portfolio experienced a sharp reduction of 9.9%, while fishing recorded a 16.1% decrease, reflecting specific challenges mentioned in previous reports. Among the sectors that also recorded setbacks are construction and livestock, which, although facing slight declines of 0.1% and 2.4%, respectively, continue to play relevant roles in the bank's loan portfolio.

As for the agricultural sector, it experienced an 8.0% increase, or USD 536 million, indicating a recovery in this segment.

Consumer loans have shown a positive trend, demonstrating the portfolio's resilience despite rising interest rates and slower economic growth in the first quarter of 2024. Over the past 12 months, the household loan portfolio (USD 20.8 billion household credit and USD 13.83 billion consumer loan) has shown sustained growth. Specifically, mortgage loans recorded an annual growth of 3.7% at the closing of the month. This positive performance could be influenced by household expectations of possible increases in property prices and interest rates. On the other hand, the consumer segment showed a 4.8% growth compared to the previous year.

The overall growth of the credit portfolio of the National Banking System is positive, although the performance is heterogeneous among different sectors. Some sectors, such as financial and insurance activities, and manufacturing, show robust growth, while others, such as fishing, livestock, and mining and quarrying, record negative performances. This suggests that while the overall economy is growing, there are specific challenges in certain sectors that need to be addressed to ensure sustainable and balanced growth in the future.

Table 7: National Banking System
Balance of Domestic Credit Portfolio by Economic Sectors
(In millions of USD)

Sector	Apr-23	Apr-24	Difference Mar. 23/Mar. 24	
			Total	%
TOTAL	**58,633**	**61,584**	**2,952**	**5.0%**
Public sector	**1,553**	**1,419**	**-134**	**-8.6%**
Private sector	**57,080**	**60,165**	**3,086**	**5.4%**
Financial and insurance act.	1,680	2,152	473	28.1%
Agriculture	496	536	40	8.0%
Livestock	1,339	1,307	-32	-2.4%
Fishing	122	102	-20	-16.1%
Mining and Quarrying	63	57	-6	-9.9%
Commerce	11,752	12,411	658	5.6%
Industry	3,373	3,974	600	17.8%
Mortgages	20,062	20,803	741	3.7%

Sector	Apr-23	Apr-24	Difference Mar. 23/Mar. 24	
			Total	%
Construction	4,992	4,997	4	0.1%
Personal consumption	13,200	13,828	628	4.8%

Source: General License banks

During the cumulative period from January to April 2024, the National Banking System granted new loans totaling USD 7.81 billion, representing a 20% increase compared to the same period of the previous year.

Overall growth in new lending is positive, with key sectors such as financial companies (142%), agriculture (60%), manufacturing (40%), and personal consumption (31%) leading the increase. However, sectors such as livestock (-17%), mining and quarrying (-51%), and the public sector (-40%) face significant challenges inherent to the current situation and their sector-specific challenges, highlighting the need for strategic approaches to address potential medium-term risks.

This analysis underscores the importance of careful and adaptive credit management aligned with the changing dynamics of the economy and specific sector needs.

Regarding credit risk, during the analyzed period, a greater materialization was evident. The non-performing and overdue portfolio represents 4.2% of the total portfolio balance. The total overdue portfolio indicator recorded 2.39% in April 2024 relative to the portfolio balance. However, the coverage of the overdue portfolio through provisions remains above 100%. Additionally, the non-performing loan and risk indicators of the consumer portfolio are still at high levels but have shown stability in recent months. It is worth mentioning that both indicators reflect a higher percentage of arrears compared to the periods prior to the pandemic. The financial burden for households remains stable, while savings levels, especially term savings, are showing recovery. Given these indicators and the lower economic performance expected for this year, proactive risk management is crucial. In addition, the ability to adapt to a constantly evolving economic environment will be key in preserving the CBI's stability and promoting its sustainability in the face of future challenges.

A recent decline in provisions for non-performing and overdue loans has been observed. The coverage of accounting provisions for overdue loans stands at around 103.7% compared to 107.6% recorded a year ago. Although current provisions and collateral provide some degree of mitigation for risks related to loan impairment, their evolution requires forward-looking monitoring. Maintaining adequate reserve coverage and adjusting accounting provisions according to changes in the quality of the loan portfolio will allow banking entities to face challenges with greater resilience and ensure their solvency and operational strength in the future.

It is relevant to mention that the loss of investment-grade status (a downgrade by two rating agencies) could result in an interest rate hike in various credit segments within the national banking system. This increase in rates could raise default risks, as higher financing costs could make it harder for borrowers to meet their obligations. In this context, prudent and forward-looking risk management is advisable for both financial institutions and loan applicants. Banks and other lending institutions should intensify their credit risk analyses of their portfolios, adjusting capital allocation strategies and provisioning policies to reflect an evolving risk landscape. At the same time, potential borrowers should apply rigorous financial discipline when assessing their ability and need to take on new debt, considering scenarios of potentially higher costs and meticulously evaluating their ability to comply under more demanding financial conditions. This approach is essential not only for the individual sustainability of borrowers but also for the stability and overall health of the financial ecosystem.

G. Deposits

In April 2024, the International Banking Center experienced a remarkable year-on-year growth of 6.9% in the balance of traditional bank deposits, reaching a total deposit volume of USD 106.71 billion. This progress was supported by two main pillars: a 6.1% increase in domestic deposits, totaling USD 66 billion, and a robust 8.1% surge in foreign deposits, totaling USD 40.70 billion.

In local terms, domestic deposits grew by USD 3.80 billion during the period surveyed compared to the previous year. This growth was driven by a significant 18.0% increase in domestic government deposits, which totaled USD 14.16 billion. Domestic customer deposits grew by 3.6%, reaching USD 48.71 billion, while domestic bank deposits decreased by 1.9%, standing at USD 3.13 billion.

On the other hand, foreign deposits not only grew in absolute terms but also showed significant dynamism in several categories. Foreign customer deposits increased by 7.3%, reaching USD 30.97 billion, and foreign bank deposits grew by 11.4%, amounting to USD 9.45 billion. However, foreign government deposits, although small in volume, experienced a decrease of 7.1%, standing at USD 271.7 million. Furthermore, the sustained growth in foreign bank deposits suggests that international financial institutions see Panama as a safe and attractive destination for their assets.

This data suggests that commercial banking deposit-taking continues to be significantly driven by the vitality of term deposits, reflecting an ongoing preference for safe investments and predictable returns in a potentially uncertain economic environment. This depositor behavior underscores confidence in the stability and solvency of the CBI's banking system, consolidating its role as a fundamental pillar in asset management at both the domestic and international levels.

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

Accounts	2023	2024	Difference April 24 / April 23	
	April	April	Total	%
Deposits	99,844.4	106,711.1	6,866.6	6.9%
Domestic	62,198.9	66,001.8	3,802.9	6.1%
Government	12,003.6	14,160.8	2,157.2	18.0%
Customer	47,004.5	48,710.6	1,706.2	3.6%
Banks	3,190.9	3,130.3	-60.5	-1.9%
Foreign	37,645.5	40,709.3	3,063.8	8.1%
Government	292.6	271.7	-20.9	-7.1%
Customer	28,860.6	30,977.7	2,117.1	7.3%
Banks	8,492.3	9,459.9	967.6	11.4%

Source: General and International License banks.

Within the domestic financial landscape, the National Banking System demonstrated solid development, in line with the performance of the International Banking Center. By April 2024, the SBN recorded total deposits of USD 94.12 billion, marking a year-on-year increase of 7.8%. This solid growth highlights continued confidence in the local banking system. Domestic deposits experienced a 6.3% growth, totaling USD 65.89 billion, mainly driven by a marked increase of 18.0% in government deposits. On the other hand, foreign deposits showed a remarkable advance of 11.5%, amounting to USD 28.23 billion. This increase highlights a growing interest in international financial opportunities offered by the SBN. These results demonstrate the strength and expansion of the SBN on both fronts, consolidating its position (see Table 9).

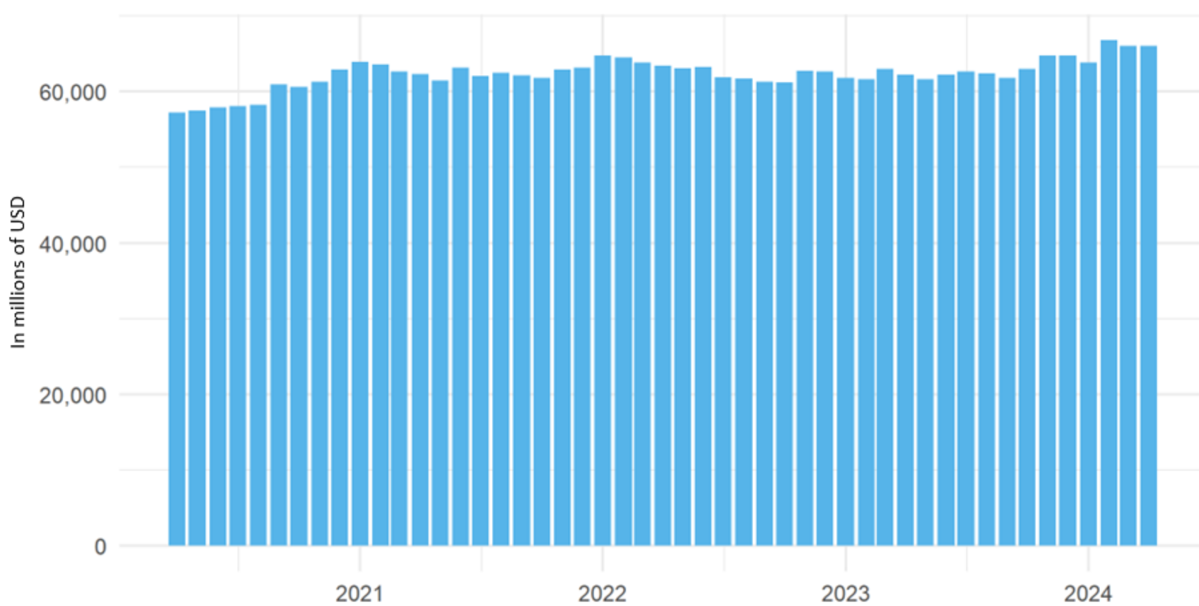
Table 9: National Banking System
Total Deposits
(In millions of USD)

Accounts	2023 April	2024 April	Difference. April 24 / April 23 Total	%
Deposits	87,296.8	94,126.2	6,829.4	7.8%
Domestic	61,979.2	65,892.9	3,913.7	6.3%
Government	12,003.6	14,160.8	2,157.2	18.0%
Customer	47,004.4	48,710.6	1,706.2	3.6%
Banks	2,971.1	3,021.4	50.3	1.7%
Foreign	25,317.6	28,233.3	2,915.7	11.5%
Government	240.9	193.9	-47.0	-19.5%
Customer	17,193.6	19,114.0	1,920.3	11.2%
Banks	7,883.0	8,925.5	1,042.4	13.2%

Source: General License banks.

Graph 5 shows the evolution of the balance of domestic deposits over time, highlighting key trends and patterns of depositor behavior. The retail deposit base not only underscores confidence in the National Banking System but also plays a crucial role in the liquidity of the system. A large and stable deposit base allows banks to manage their short-term obligations and facilitate long-term investments more efficiently. With greater stability in deposits, financial institutions can better plan their growth and expansion strategies, as well as offer more attractive and diversified financial products to their clients. It is crucial to note that local deposits represent 70.5% of the total in the SBN. This high share of domestic deposits underlines the confidence of residents in the national banking system and their willingness to keep their savings and financial resources within the country. This confidence is a positive indicator of public perception about the soundness and stability of the SBN.

Graph 5: Total Domestic Deposits
April 2020 – April 2024



Source: General license banks.

The structure of customer liabilities by maturity, presented in **Graph 5,** highlights that fixed-term deposits continue to be the most prominent savings instrument. As of April 2024, customer domestic fixed-term deposits amounted to USD 26.85 billion, evidencing a consistent preference for investment instruments with the potential to offer higher returns, albeit with less liquidity. Decreases in domestic savings and demand deposits indicate a possible reorientation of depositor strategies. The structure of liabilities of individuals, segregated by maturity, shows a clear preference for term deposits as the main savings mechanism.

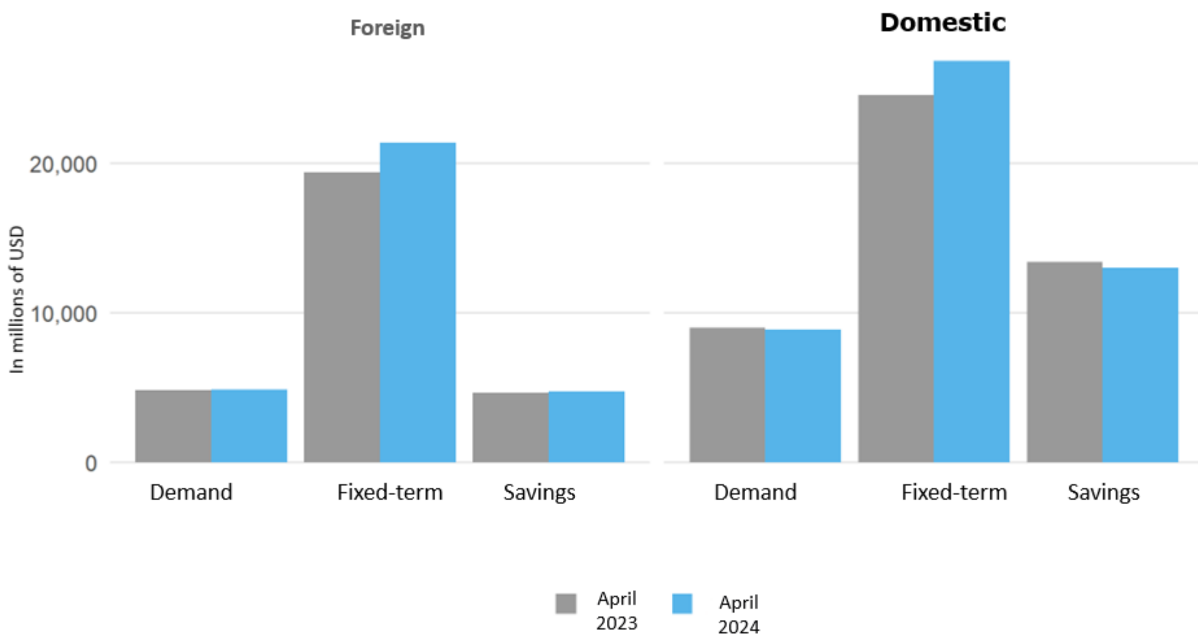
This performance suggests a continued preference for investment instruments with a potentially higher return profile, even though they may have a lower level of liquidity. A reduction was recorded in highly liquid instruments. Demand deposits decreased from USD 8.99 billion in April 2023 to USD 8.85 billion in April 2024, while savings deposits also showed a decrease, from USD 13.42 billion to USD 13.0 billion in the same period.

The higher deposit interest rate environment has boosted the attractiveness of term savings instruments, driving their growth. However, it is anticipated that, as these rates begin to show signs of declining in the medium and long term, the growth of term deposits will be more moderate.

It is crucial for financial institutions to monitor these trends and adjust their product offerings to continue meeting the needs of their clients, maintaining a balance between liquidity and returns.

Furthermore, the growth in foreign term deposits, which reached USD 21.38 billion in April 2024 compared to USD 19.41 billion in April 2023, indicates increased confidence and attractiveness of funds from abroad. This rise underscores the importance of maintaining attractive policies and products for international depositors. In summary, the composition of individual liabilities reflects a preference for term deposits, driven by high-interest rates and the pursuit of higher returns. However, the decrease in highly liquid deposits suggests the need for diversified strategies to attract different depositor profiles and ensure a balanced and sustainable deposit base.

Graph 6: Customer Deposits
April 2023 – April 2024



Source: General and International license banks.

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