Superintendencia de Bancos de Panamá

Banking Activity Report

April 2025

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Executive Summary

At the end of April 2025, the Panamanian banking system maintained a resilient financial position, supported by prudent risk management, a diversified funding structure, and adequate solvency and liquidity indicators. Despite pressure on operating margins and the tightening of international financial conditions, a significant portion of institutions have managed to maintain adequate levels of profitability, driven by an expansion of productive credit, a stable deposit base, and effective containment of operating expenses.

I. **Liquidity and Solvency:** The system's average liquidity ratio stood at 55.94%, exceeding regulatory requirements. The Liquidity Coverage Ratio (LCR) remains above the minimum threshold, reflecting prudent management of maturity and asset quality. The Capital Adequacy Ratio (CAR) of the International Banking Center (IBC) reached 15.71%, almost double the regulatory minimum, demonstrating an adequate capital buffer to withstand financial shocks.

II. **Balance Sheet:** IBC recorded net assets of USD 158,403 million (+6.5% year-over-year), mainly due to an expansion of USD 8,351 million in the net loan portfolio (+9.3%) and an increase in investments (+2.2%). Deposits grew 5.4% year-over-year, largely supported by foreign deposits (+8.1%). The National Banking System (NBS) also showed strength, with net assets of USD 140,544 million (+6.2%), driven by net loan growth (+7.5%) and an increase in investments (+4.3%). The liability composition remained diversified and stable.

III. **Income Statement:** IBC's accumulated net income stood at USD 915.4 million (-14.6% year-over-year), reflecting a combination of pressures on the net interest income, increased operating costs, and lower contributions from non-recurring revenues. In contrast, the National Banking System (NBS) reported net income of USD 815.6 million (+0.4%), supported by higher interest income (+3.2%) and expense containment, despite a 5.9% drop in net interest income. In both segments, provisions remained stable or decreased slightly, supporting profitability.

IV. **Credit**: The NBS's gross domestic loan portfolio reached USD 64.511 billion (+4.8%), with strength in Trade (+8.5%) and Personal Consumption (+4.4%). Sectors such as Livestock, Fishing, and Construction showed contractions. The IBC's delinquency rate declined to 1.67%, and the non-performing loan portfolio fell to 2.23%, with adequate provision coverage. The need to strengthen loan placement and monitor sectors with exposure to structural risks is highlighted.

V. **Deposits:** The IBC accumulated USD 112.486 billion in deposits (+5.4%), with growth in foreign deposits (+8.1%), especially from non-resident individuals (+12.1%). Deposits at the SBN reached USD 98.359 billion (+4.5%), driven by the individual segment (+7.7%) and a significant increase in term instruments.

VI. **Conclusions:** The Panamanian banking system maintains solid performance, supported by prudential indicators and capital and liquidity buffers that reflect sound financial management. However, margin compression, rising funding costs, and exposure to international financial conditions continue to pose challenges. In this context, proactive risk management is required, aimed at preserving the system's robustness in the face of increased volatility. The Superintendency of Banks of Panama (SBP) will continue to monitor key indicators and adjust its supervisory mechanisms with a preventive approach, in order to strengthen the stability and resilience of the financial system in the face of a demanding and changing global environment.

A. Liquidity

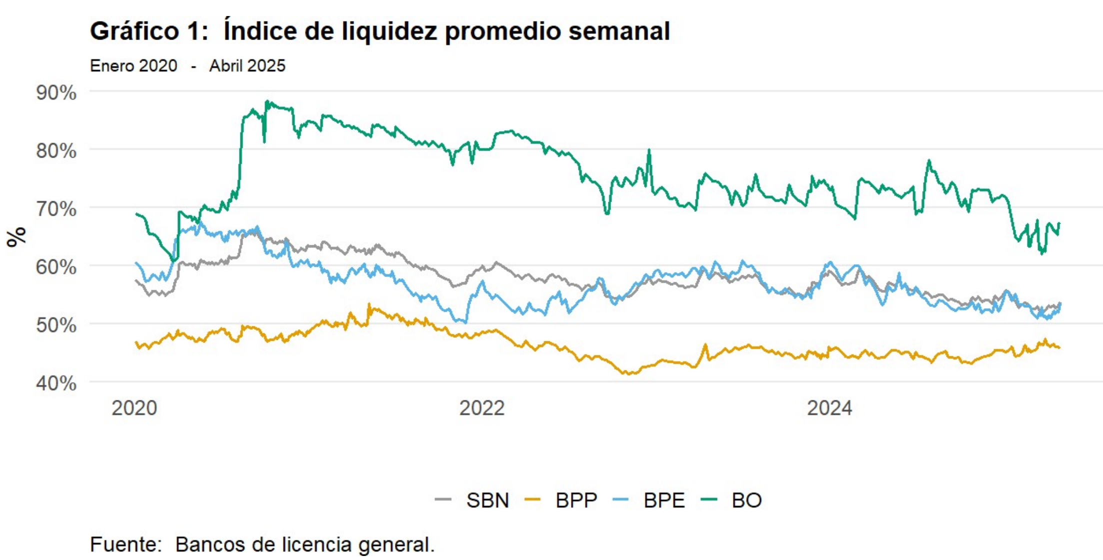
At the close of the 2025 first quarter, the Panamanian banking sector has demonstrated a solid operating position, evidenced by an average liquidity ratio of 55.94%, exceeding the regulatory minimum.

Banks in the system have historically maintained robust liquidity buffers, supported by constant access to both core and wholesale deposits, which remain key components of their funding structure. Although institutional deposits offer cost advantages, they also present inherent volatility risks in periods of economic uncertainty, highlighting the need for diversified and proactive liability management. The strength of retail deposits reduces exposure to the volatility typical of wholesale deposits but requires banks to maintain a strong relationship with their customer base and carefully manage them.

The system currently meets the Liquidity Coverage Ratio (LCR) requirements with a comfortable margin, reinforcing its ability to withstand episodes of financial stress. Although interest rates have begun to decline, alleviating some of the pressures on funding costs, it will be crucial for banks to adjust their strategies to capitalize on this environment of monetary easing cycle in developed countries, while maintaining prudent management that allows them to ensure healthy financial margins and adequate liquidity.

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

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



Source: General license banks.

Superintendencia de Bancos de Panamá

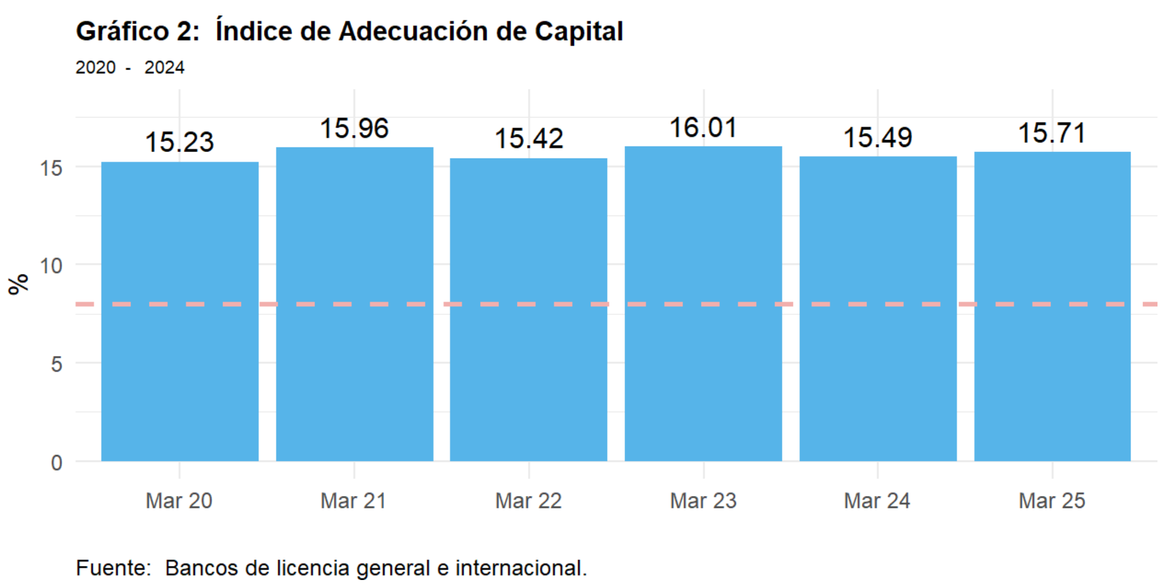
B. Solvency

The Capital Adequacy Ratio (CAR) of banks operating in the International Banking Centre (IBC) in Panama has maintained adequate solvency levels, consistently above the regulatory minimum of 8%. The most recent data shows that the risk-adjusted CAR stood at 15.71% (see Graph 2), which not only comfortably exceeds the regulatory threshold but also reflects a robust capacity to absorb financial shocks in a volatile economic environment. This level of capitalization provides an adequate buffer to mitigate unexpected losses, supporting the stability of the banking system.

The evolution of the CAR in recent years shows a stable trend, with fluctuations within a narrow range, indicating prudent capital management by IBC institutions. This stability is particularly relevant in the context of global and local macroeconomic pressures, where the ability to maintain adequate capital levels is crucial to preserve market confidence and financial resilience.

In conclusion, while IBC banks have demonstrated a solid ability to maintain adequate capital levels, evolving financial and macroeconomic risks will require active and prudent management to preserve system stability. Institutions' ability to adapt to changes in the regulatory and economic environment will be a determining factor in their future performance.

Graph 2: Capital Adequacy Ratio
2020 – 2024



Source: General and international license banks.

C. Balance Sheet

○ International Banking Center

At the end of April 2025, Panama's International Banking Center (IBC) reported net assets of USD 158,402.8 million, representing a year-over-year increase of USD 9,706.2 million (+6.53%). This growth reflects the continued implementation of a strategy aimed at expanding productive assets and optimizing balance sheet use, amid a context of global financial normalization and increased competition for regional liquidity. The observed performance suggests an efficient allocation of resources and prudent balance sheet management, which has contributed to maintaining solid solvency metrics and leverage levels consistent with a moderate risk profile.

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

ACCOUNTS	2024	2025	Var. Apr. 25 / Apr. 24	
	April	April	Absolute	%
NET LIQUID ASSETS	17,589	17,683	94	0.5%
NET CREDIT PORTFOLIO	89,709	98,060	8,351	9.3%
Domestic	59,566	62,597	3,031	5.1%
Foreign	30,143	35,463	5,320	17.7%
NET INVESTMENTS IN SECURITIES	33,902	34,654	752	2.2%
OTHER ASSETS	7,496	8,005	509	6.8%
TOTAL NET ASSETS	**148,697**	**158,403**	**9,706**	**6.5%**
Deposits	106,711	112,486	5,775	5.4%
Domestic	66,002	68,488	2,486	3.8%
Foreign	40,709	43,998	3,289	8.1%
OBLIGATIONS	19,883	22,274	2,391	12.0%
OTHER LIABILITIES	4,268	4,851	583	13.7%
CAPITAL	17,834	18,792	958	5.4%
LIABILITIES AND CAPITAL, TOTAL	**148,697**	**158,403**	**9,706**	**6.5%**

Source: General and International License banks.

In terms of liquidity, net liquid assets stood at USD 17,683.4 million, with a slight positive change of 0.54% compared to the previous year. The stability in this item is due to a progressive reallocation of resources toward higher-yielding assets, without compromising regulatory coverage levels. Domestic cash flows grew, and deposits remained virtually stable, reflecting a balanced management of security, liquidity, and return.

The net loan portfolio was the main driver of asset growth, increasing by USD 8,351.2 million (+9.31%), reaching USD 98,060.4 million. This result was driven primarily by the dynamism of foreign credit, which grew 17.49% (+USD 5,317.6 million), while the domestic portfolio also showed solid performance, with an increase of 4.75% (+USD 2,927.1 million). The expansion was accompanied by a net reduction in provisions (–4.66%). This evolution reflects a stabilization in the portfolio's risk profiles, in response to more stable macro-financial conditions and a more selective allocation of credit with a lower probability of deterioration.

The net investment portfolio reached USD 34,654.0 million (+2.22%), with a greater share of local instruments (+6.00%) compared to marginal growth in the external component (+0.24%). This trend suggests a reorientation toward domestic fixed-income assets, possibly driven by rate differentials or lower volatility, in a still uncertain global environment. Other assets increased 6.79%, to USD 8,005 million.

On the liabilities side, deposits remained the main source of funding, reaching USD 112,485.8 million (+5.41%). Of this total, domestic deposits grew 3.77% (USD +2,486.2 million), driven by local individuals and banks, while foreign deposits increased 8.08% (USD +3,288.6 million), highlighting the strong growth in deposits from non-resident individuals (+12.10%). This performance reaffirms the attractiveness of the Panamanian system as a regional capital destination.

Financial obligations totaled USD 22,274.3 million (+12.02%), in line with a strategy of diversifying wholesale funding, especially from external counterparties (+14.90%). Other liabilities increased 13.65%, reaching USD 4,850.7 million, driven by higher accounts payable and operating provisions, reflecting the operational dynamism of the system.

Finally, equity strengthened by 5.37% to USD 18,791.9 million, supported by the growth in reserves (+10.68%) and the accumulation of retained earnings (+7.50%).

Overall, the April 2025 results consolidate IBC's position as a resilient financial platform, capable of sustainable growth, even under conditions of external volatility. The favorable performance of productive assets, combined with a diversified funding structure and a robust capital framework, maintains a stable outlook for the system, although proactive risk management and constant monitoring of the external determinants of funding and credit quality will be key.

- **National Banking System**

At the end of April 2025, Panama's National Banking System (SBN) recorded total net assets of USD 140,544.4 million, representing a year-over-year growth of 6.2% (+USD 8,229.5 million). This expansion was primarily driven by the net loan portfolio, which increased USD 6,171.8 million (+7.5%) to USD 88,520.7 million. The portfolio's performance was driven by growth in both the domestic (+4.8%) and foreign (+13.5%) segments, in line with increased lending to business segments and a progressive recovery in credit demand. The reduction in impairment provisions (–5.8%) suggests a favorable reassessment of the risk profile under the IFRS expected credit loss approach.

Investments in net assets also contributed significantly, with a 4.3% increase (USD +1,220.2 million), totaling USD 29,594.5 million. The momentum was concentrated in local instruments (+5.8%), although moderate growth was also observed in the foreign portfolio (+3.2%). Meanwhile, net liquid assets grew 1.6% to USD 14,718.8 million, reflecting more active management of the structural liquidity component, with a shift toward term deposits and a slight reduction in external demand positions. Other assets increased 8.6%, partly due to higher balances in accounts receivable, tax assets, and temporary transactions.

On the liabilities side, deposits consolidated as the main source of funding, reaching USD 98,359.1 million (+4.5%). Domestic deposits increased 3.7% to USD 68,313.9 million, driven by individuals and local banks. At the same time, foreign deposits increased 6.4% (USD +1,811.8 million), with notable growth in savings and term deposits from non-residents. This trend confirms the system's attractiveness as a recipient of regional liquidity, although it also increases its exposure to international financial conditions.

Financial obligations grew 11.3%, to USD 21,964.1 million, with a greater share of external financing (+14.2%). Other liabilities increased 13.1%, totaling USD 4,636.7 million, driven by accounts payable, operating provisions, and liabilities from derivative transactions. Equity strengthened 8.6%, reaching USD 15,584.5 million, due to the growth in retained earnings, higher dynamic provisions (+12.2%), and an expansion in technical reserves (+13.4%).

Overall, the NBS's performance through April 2025 reflects an orderly balance sheet expansion, with a focus on productive assets and a diversified funding structure. Continued prudent management of liquidity, credit quality, and capitalization will be critical to preserving the system's resilience in a global environment where financial conditions continue to tighten and risks of external volatility persist.

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

ACCOUNTS	2024 April	2025 April	Var. Apr. 25 / Apr. 24	
			Absolute	%
NET LIQUID ASSETS	14,492	14,719	227	1.6%
NET CREDIT PORTFOLIO	82,349	88,521	6,172	7.5%
Domestic	59,566	62,598	3,031	5.1%
Foreign	22,783	25,923	3,140	13.8%
INVESTMENTS IN NET ASSETS	28,374	29,594	1,220	4.3%
OTHER ASSETS	7,100	7,710	611	8.6%
TOTAL NET ASSETS	**132,315**	**140,544**	**8,229**	**6.2%**
Deposits	94,126	98,359	4,233	4.5%
Domestic	65,893	68,314	2,421	3.7%
Foreign	28,233	30,045	1,812	6.4%
OBLIGATIONS	19,731	21,964	2,233	11.3%
OTHER LIABILITIES	4,101	4,637	536	13.1%
CAPITAL	14,357	15,585	1,228	8.6%
LIABILITIES AND CAPITAL, TOTAL	**132,315**	**140,544**	**8,229**	**6.2%**

Source: General License banks.

D. Income Statement

- **International Banking Center (IBC)**

At the end of April 2025, the International Banking Center (IBC) recorded profits of USD 915.4 million, representing a 14.6% year-over-year decrease (-USD 156.5 million) compared to the USD 1,071.9 million result recorded in the same period of 2024. This decrease reflects a combination of pressures on the net interest income, increased operating costs, and a lower contribution from non-recurring revenues.

Interest income reached USD 2,962.3 million (+2.5% year-over-year), driven primarily by 4.8% growth in loan income (USD 2,272.3 million) and 5.6% growth in the investment portfolio (USD 433.2 million). However, there will be an 18.1% drop in deposit income (USD 233.2 million), as well as declines in leasing (-20.8%) and other items. The increased cost of funding increased interest expenses to USD 1,713.3 million (+6.9%), while funding-related fees grew 28.0% to USD 162.4 million, putting pressure on net interest income, which fell 6.3% to USD 1,086.6 million.

Other income totaled USD 1,130.7 million (-0.7% year-over-year), with a mixed performance. Service fees increased 13.0% (USD 469.9 million) and foreign exchange operations expanded 38.3% (USD 7.8 million). However, dividend income contracted significantly (-28.2%) to USD

281.2 million, weakening the non-financial component. Other income grew 14.4% (USD 371.9 million), although its performance could be subject to greater volatility.

Net operating income decreased 3.5% to USD 2,217.3 million, while general expenses increased 7.2%, totaling USD 1,126.5 million. In particular, increases were observed in general expenses (+10.7%) and other expenses (+11.2%), reflecting higher structural operating costs. Profit before provisions was USD 1,090.8 million (–12.6%), and provisions for bad debts remained virtually constant at USD 175.5 million. This resulted in a final net income of USD 915.4 million, consolidating a 14.6% year-over-year decrease.

In this context, the system's ability to maintain healthy margins will depend on operational efficiency, structural expense containment, and the diversification of revenue sources beyond the net interest income. Prudent credit risk management, in line with the IFRS expected loss approach, as well as ongoing assessment of sensitivity to funding costs, will be key elements in maintaining profitability in a financial environment with high real rates.

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

ACCOUNTS	2024	2025	Var. Apr. 25 / Apr. 24		
	April	April	Absolute		%
C. Net interest income	1,160	1,087	-	73.3	-6.3%
D. Other income	1,138	1,131	-	7.6	-0.7%
E. Operating income	2,298	2,217	-	80.9	-3.5%
F. General expenses	1,050	1,126		76.0	7.2%
G. Profit before provisions	1,248	1,091	-	156.9	-12.6%
H. Bad debt	176	175	-	0.4	-0.2%
I. Profit for the period	**1,072**	**915**	**-**	**156.5**	**-14.6%**

Source: General License banks.

- **National Banking System**

At the end of April 2025, the National Banking System (SBN) recorded accumulated net income of USD 815.6 million, representing a slight increase of 0.4% (+USD 3.5 million) compared to the USD 812.1 million obtained in the same period of 2024. This modest performance reflects an operating environment with mixed margin pressures, offset by contained cost management and risk-adjusted provisions.

Interest income amounted to USD 2,684.5 million, representing a 3.2% increase year-over-year. This increase was primarily driven by a 4.8% increase in loan income (USD 2,101.0 million) and a 5.8% increase in investment income (USD 382.5 million), in contrast to a 15.3% drop in deposit income (USD 189.1 million), reflecting a more expensive funding environment and lower profitability on excess liquidity.

Operating expenses increased 9.2% to USD 1,710.6 million, due to a 7.5% increase in interest paid (USD 1,557.3 million) and a 29.9% increase in fees associated with liabilities (USD 153.4 million), which pressured net interest income, which fell 5.9% year-over-year to USD 973.9 million. This metric is key for monitoring the evolution of the net interest margin in volatile market conditions.

Other income increased 5.8% to USD 981.2 million. This growth was driven by strong growth in service fees (+14.3%, USD 450.3 million), foreign exchange transactions (+48.2%, USD 6.8 million), and dividends (+10.3%, USD 277.3 million). However, there was an 11.1% drop in other income (USD 246.8 million), an item that may be exposed to volatility or non-recurring income.

Operating income remained stable, closing at USD 1,955.0 million (–0.4%). General expenses, meanwhile, showed a marginal increase of 0.2%, totaling USD 976.6 million. Among these, increases in general expenses (+10.6%) and administrative expenses (+3.7%) stood out, while other expenses fell significantly (–25.9%), which could reflect non-structural savings or accounting reclassifications.

Earnings before provisions were USD 978.4 million (–1.0%). However, provisions for bad debts decreased 7.7% to USD 162.8 million, due to the improvement in late payments, which allowed for stable net income despite pressure on margins. This trend should be carefully monitored to ensure coverage levels remain adequate in the face of potential deterioration.

In perspective, the cumulative results through April suggest contained but resilient profitability, supported by the expansion of the loan portfolio, the diversification of non-interest income, and disciplined management of operating expenses. Looking ahead to the rest of the year, prudent credit risk management, funding cost containment and leveraging service revenue will continue to be key to sustaining bank profitability in an environment of high rates and intense competition for liquidity.

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

ACCOUNTS	2024 April	2025 April	Var. Apr. 25 / Apr. 24	
			Absolute	%
C. Net interest income	1,035	974	61.5	-5.9%
D. Other income	927	981	53.8	5.8%
E. Operating income	1,963	1,955	7.8	-0.4%
F. General Expenses	974	977	2.4	0.2%
G. Profit before provisions	989	978	10.1	-1.0%
H. Bad debt	176	163	13.6	-7.7%
I. Profit for the period	**812**	**816**	**3.5**	**0.4%**

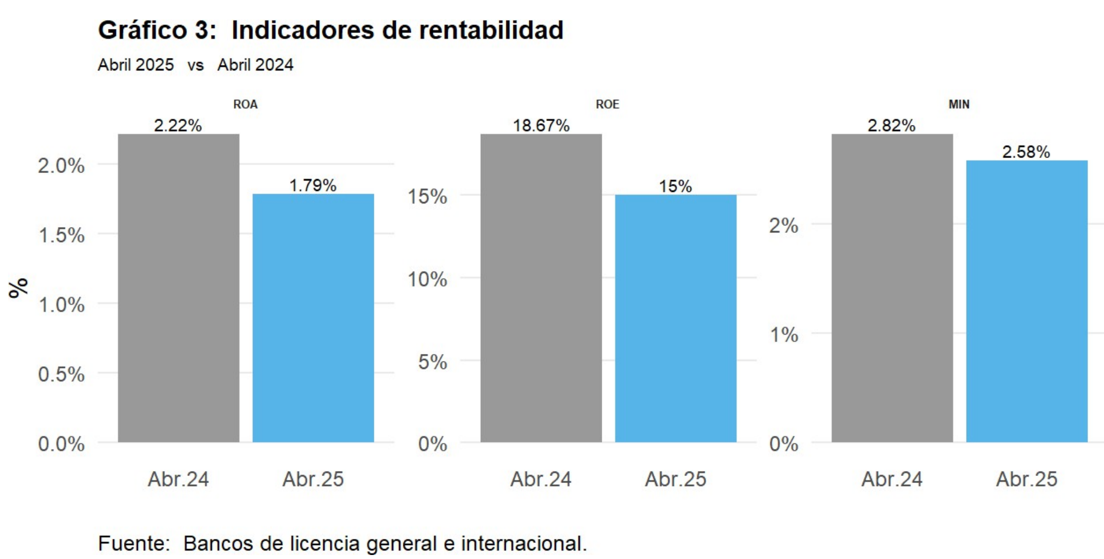
Source: General License banks.

E. Profitability indicators

Regarding profitability indicators, at the end of April 2025, a further contraction was observed in the key ratios, in line with an environment characterized by tighter financial margins and persistently high funding costs. Return on Assets (ROA) stood at 1.79%, below the 2.22% observed in April 2024, implying a decrease of 0.43 percentage points. Similarly, Return on Equity (ROE) fell to 15.00%, from 18.67% recorded in the same month last year, a drop of 3.67 percentage points. Net Interest Income (NII) also decreased, from 2.82% to 2.58%, reflecting a compression of 24 basis points.

Although most entities have managed to maintain reasonable profitability levels through adjustments to their operating structure and greater diversification of non-interest income, the contraction in the NIM underscores the urgency of optimizing asset and liability management. In this context, it is critical to implement dynamic pricing strategies, focus efforts on business lines with greater margin resilience, such as corporate banking and transactional services, and accelerate the digitalization of processes and channels to contain structural costs.

Graph 3: Profitability indicators
April 2025 vs. April 2024



F. Credit

As of April 30, 2025, the National Banking System's (SBN) gross domestic loan portfolio reached USD 64,511.2 million, representing a year-over-year growth of 4.8% (equivalent to USD 2,927.1 million). This performance reflects the sustained dynamism in demand for financing, especially in the commercial and personal consumption sectors, in line with the expansion of economic activity during the first months of the year, with cumulative year-over-year growth of 6.6%, according to the Monthly Economic Activity Index (IMAE).

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

Sector	2024 April	2025 April	Δ absolute USD	Δ relative %
TOTAL	**61,584.1**	**64,511.2**	**2,927.1**	**4.8%**
Public sector	**1,418.7**	**2,418.0**	**999.4**	**70.4%**
Private sector	**60,165.5**	**62,093.2**	**1,927.7**	**3.2%**
Financial and insurance act.	2,152.4	2,007.1	-145.2	-6.7%
Agriculture	536.0	589.5	53.6	10.0%
Livestock	1,307.0	1,292.4	-14.5	-1.1%
Fishing	102.0	82.8	-19.2	-18.8%
Mining and Quarrying	56.7	41.1	-15.6	-27.5%
Commerce	12,410.6	13,471.4	1,060.8	8.5%
Industry	3,973.6	4,111.7	138.2	3.5%
Mortgage	20,802.9	21,287.6	484.7	2.3%
Construction	4,996.7	4,774.2	-222.4	-4.5%
Personal Consumption	13,827.8	14,435.2	607.4	4.4%

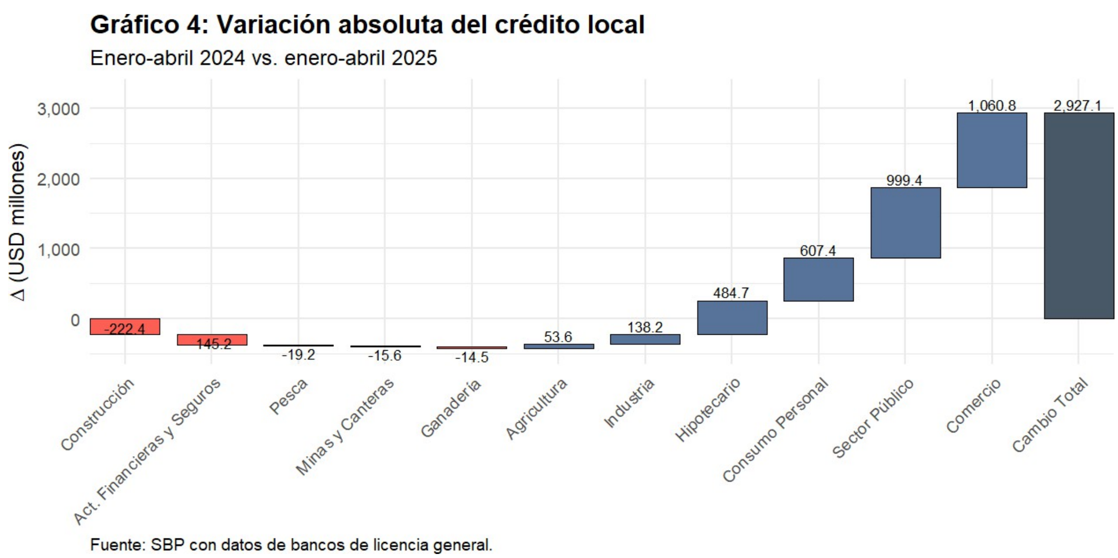
Source: General License banks SBP data

Credit growth was led by the Retail (8.5%) and Personal Consumption (+4.4%) segments, along with notable increases in Agriculture (+10.0%). This performance is consistent with a macroeconomic environment of moderate recovery and still-favorable credit conditions. However, recent events in the country could translate into less dynamism in some segments and an increase in specific risks. The Superintendency of Banks of Panama will continue to closely monitor these events to preserve the stability and quality of the system.

In the residential mortgage segment, the total portfolio reached USD 18,749.9 million at the end of April 2025, representing a year-over-year increase of 2.5% (USD 449.9 million) compared to the USD 18,300.0 million recorded in April 2024. Within this total, residential credit under Preferential Law grew 4.5%, from 9,025.4 million to 9,432.1 million, due to disbursements that had already occurred in previous months, while credit without Preferential Law increased only 0.5%, from 9,274.6 million to 9,317.8 million. While the subsidized segment grew 4.5%, it shows less dynamism. The observed slowdown in growth is due to the partial expiration of one of the current benefits, which has affected one of the program's subsegments, as well as the termination of one of the highest brackets in the incentive scheme. This behavior is estimated to be temporary, as the new interest rate scheme applicable to the preferential segment is approved. This factor has contributed to a slower dynamic in the origination of new loans.

Notwithstanding the performance noted in previous paragraphs, some sectors continue to show contractions. Credit to the fishing sector registered a drop of 18.8% (USD 19.2 million), affected by adverse weather conditions and changes in tariff issues in international markets. Livestock production fell by 1.1% (USD 14.5 million), while the construction sector fell 4.5% (USD 222.4 million), reflecting the persistent challenges to the recovery of the real estate and public infrastructure sectors. These sectoral declines reflect a more cautious allocation of credit to activities with higher levels of operational risk or exposure to external factors. Their evolution will continue to be an area of focus in assessing the strength of the sector's economic recovery.

Graph 4: Absolute variation of domestic credit
January-April 2024 – January-April 2025



Source: General License banks SBP data

At the end of April 2025, new credit disbursements in Panama totaled USD 8.845 billion, representing a year-over-year increase of USD 1.027 billion (+13%) compared to the USD 7.818 billion recorded in the same period in 2024. This rebound was primarily driven by the strong dynamism of public sector credit (+772%), as well as a significant recovery in trade (+21%).

However, several key segments showed significant contractions. Credit to financial companies fell 37%, due to cancellations of credit facilities to financial intermediation institutions, while industry and agriculture each declined 22%. Likewise, mortgage loan disbursements decreased 11% (USD 77 million less), reflecting the slowdown in home loan originations.

Although the aggregate performance of the credit balance remains favorable, the combination of higher risk premiums and a persistently high international interest rate environment could lead to portfolio moderation in the coming quarters.

This adjustment is already beginning to manifest itself in the dynamics of new disbursements, particularly in sectors sensitive to the cost of financing, such as industry, personal consumption, and construction. Faced with this scenario, financial institutions must strengthen their loan placement processes, refine their risk segmentation models, and diversify their commercial channels, with the aim of preserving the solvency of the system and reducing exposure to potential asset impairments in a global environment characterized by high uncertainty.

As of April 30, 2025, the IBC's non-performing loan portfolio represented 2.23% of the total, reflecting an improvement of 0.16 percentage points compared to the 2.39% recorded in April 2024. Similarly, loans with arrears between 31 and 90 days in arrears fell to 1.67%, a decrease of 0.12 percentage points compared to 1.79% the previous year, in line with more effective recovery processes and more rigorous supervision of higher-risk loans. By economic activity, non-performing loan indicators have remained within their historical averages, with the exception of the construction sector, which registered a significant increase in its non-performing loan portfolio, associated with specific events currently under monitoring. These results point to a gradual improvement in portfolio quality, in a context where the issuance of new loans has been more selective. The favorable evolution of these indicators supports a prudent stance in credit risk management.

Going forward, maintaining credit quality in the medium term will require continued strengthening of portfolio management, particularly in sectors with greater exposure to structural and cyclical risks. A conservative approach in both the corporate and household segments will be key to preserving the stability and soundness of the banking system, especially in an international environment marked by high uncertainty.

The macroeconomic context and financial conditions will continue to be crucial to sustaining this positive trend. Proactive credit risk management, including responsible lending policies, more robust evaluation criteria, and adequate provisions, will help strengthen the financial system's resilience to potential portfolio deterioration.

Furthermore, intensive supervision based on adverse scenario analysis and periodic stress tests will strengthen investor and depositor confidence. This comprehensive approach will not only protect the quality of banking assets but also consolidate an environment conducive to sustainable economic growth, even in a highly volatile global environment.

G. Deposits

- **International Banking Center (IBC)**

At the end of April 2025, the Panamanian banking system recorded a total deposit balance of USD 112,485.8 million, representing a year-over-year expansion of 5.4% (+USD 5,774.7 million). This result was due to relatively balanced growth between domestic (+3.8%) and external (+8.1%) deposits, the latter accounting for approximately 57% of the total increase. This dynamic consolidates the structural role of external funding within the composition of IBC's liabilities.

Table 6: International Banking Center
Total Deposits
(In millions of USD)

Accounts	2024 April	2025 April	Var. Apr 25 / Apr 24 Absolute	%
TOTAL DEPOSITS	**106,711.1**	**112,485.8**	**5,774.7**	**5.4%**
Domestic	**66,001.8**	**68,487.9**	**2,486.2**	**3.8%**
Government	14,160.8	12,752.7	-1,408.2	-9.9%
Customer	48,710.6	52,454.8	3,744.1	7.7%
Banks	3,130.3	3,280.5	150.2	4.8%
Foreign	**40,709.3**	**43,997.8**	**3,288.6**	**8.1%**
Government	271.7	233.7	-38.0	-14.0%
Customers	30,977.7	34,724.5	3,746.8	12.1%
Banks	9,459.9	9,039.6	-420.2	-4.4%

Source: General and International License banks.

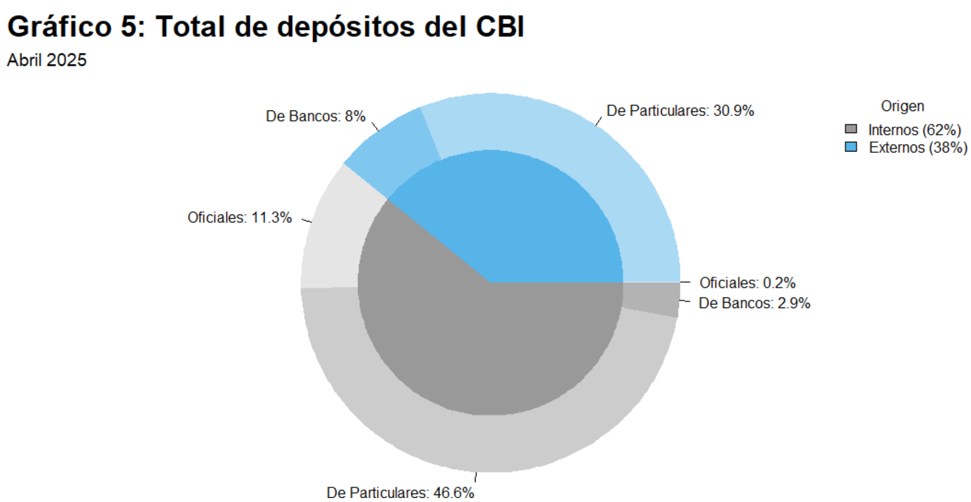
Domestic deposits reached USD 68,487.9 million, driven primarily by a 7.7% increase in personal deposits, which totaled USD 52,454.8 million. The expansion was concentrated in term instruments (+13.0%), reflecting a strategy by households to lock in returns in a relatively stable interest rate environment. In contrast, official deposits decreased by 9.9%, suggesting lower liquidity in the public sector or a realignment of its financial assets. The local bank deposit segment showed a more moderate performance, expanding by 4.8% to reach USD 3,280.5 million.

For their part, foreign deposits totaled USD 43,997.8 million, with significant year-over-year growth of USD 3,288.6 million. This result was led by the non-resident individual segment, which grew 12.1% to reach USD 34,724.5 million. Performance was particularly strong in term deposits, which increased by 14.5%, which could indicate a perception of stability in the operating environment and a greater willingness of international clients to commit capital over longer horizons. However, declines were observed in external official deposits (–14.0%) and those from foreign banks (–4.4%), reflecting a contraction in international institutional liquidity or a precautionary adjustment in the face of global monetary normalization.

The current composition of the system's liabilities continues to show a high exposure to external funding, which represents 39.1% of total deposits. This structural feature implies that banks maintain strategies aimed at addressing risks associated with exogenous shocks or abrupt changes in international market access conditions. In this context, the positive evolution of long-term deposits is a favorable sign, but insufficient to reduce the refinancing risks that persist in the system's maturity profile.

From a financial stability perspective, the solidity of the deposit base in April reflects the continued confidence of economic agents in Panamanian banking. However, the external environment remains challenging and prone to bouts of volatility. Going forward, maintaining institutional credibility, improving regulatory transparency, and strengthening supervisory capacities remain key elements for preserving the attractiveness and resilience of the Panamanian financial center in the medium term.

Graph 5: Total Deposits of the IBC
April 2025



Source: General license banks.

- **National Banking System (NBS)**

At the end of April 2025, Panama's National Banking System (NBS) recorded a total deposit balance of USD 98,359.1 million, representing a year-over-year expansion of 4.5% (+USD 4,232.9 million). This performance confirms the continuation of a moderate growth path, aligned with the trajectory of the International Banking Center (IBC), and reflects the system's functional stability, despite less favorable global financial conditions and the still challenging regional macroeconomic environment.

Domestic deposits reached USD 68,313.9 million, after increasing 3.7% compared to the same month last year. This expansion was primarily driven by individual deposits, which increased 7.7% year-over-year to total USD 52,454.8 million. The dynamism of this component reflects sustained demand for traditional savings instruments and a favorable perception of local banks as custodians of value. On the other hand, official deposits contracted 9.9%, reaching USD 12,752.7 million, which could be associated with fiscal consolidation processes or more active management of the public treasury. Meanwhile, local bank deposits grew 2.8%, reaching USD 3,106.5 million, suggesting some stability in domestic interbank liquidity.

In the external segment, deposits totaled USD 30,045.2 million, representing a 6.4% year-over-year growth. This performance was led by deposits from non-resident individuals, which increased 11.6% and reached USD 21,339.0 million. This trend confirms the continued attractiveness of the Panamanian system for attracting external resources, in an environment characterized by greater risk aversion in other Latin American financial centers. In contrast, foreign bank deposits fell 4.6% to USD 8,516.8 million, while external official deposits decreased 2.4%, closing at USD 189.3 million.

The composition of the system's liabilities reveals a relatively diversified structure, with foreign deposits representing 30.5% of the total. While this proportion has historically been stable, its persistence implies a significant exogenous component in bank funding, which exposes the system to fluctuations in international liquidity conditions. This characteristic is particularly relevant in the Panamanian case, given the absence of a central bank with the capacity to provide liquidity of last resort. In this regard, prudent management of the maturity profile, the depth of relationships with international counterparties, and the availability of liquidity buffers continue to be key monitoring factors.

From a financial stability perspective, the performance of deposits in April 2025 reinforces the perception of operational continuity and confidence in the system, in line with the resilience demonstrated by Panamanian banking in recent cycles. However, the growing sensitivity of external funding to global financial conditions and the need to maintain adequate structural liquidity margins underscore the importance of consolidating the regulatory framework, strengthening preventive supervision practices, and promoting the diversification of funding sources, both in terms of maturity and counterparty profile.

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

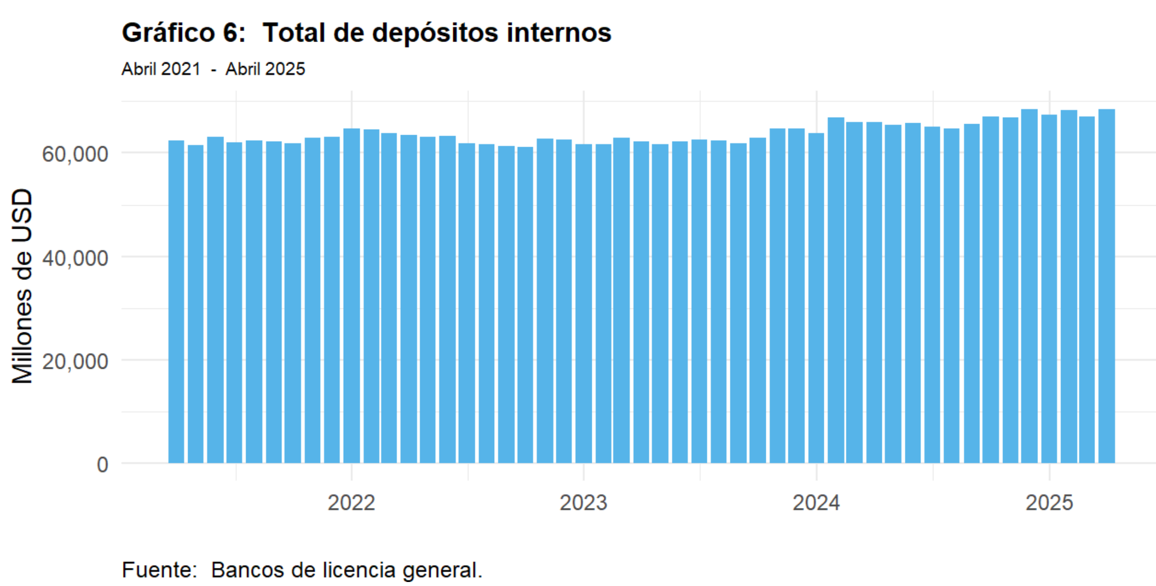
Accounts	2024 April	2025 April	Var. Apr. 25 / Apr. 24 Absolute	%
TOTAL DEPOSITS	**94,126.2**	**98,359.1**	**4,232.9**	**4.5%**
Domestic	**65,892.9**	**68,313.9**	**2,421.1**	**3.7%**
Government	14,160.8	12,752.7	-1,408.2	-9.9%
Customers	48,710.6	52,454.8	3,744.1	7.7%
Banks	3,021.4	3,106.5	85.1	2.8%
Foreign	**28,233.3**	**30,045.2**	**1,811.8**	**6.4%**
Government	193.9	189.3	-4.6	-2.4%
Customer	19,114.0	21,339.0	2,225.1	11.6%
Banks	8,925.5	8,516.8	-408.7	-4.6%

Source: General License banks.

Graph 6 shows the evolution of domestic deposit balances over time, highlighting the stable behavior of depositors. The individual deposit base not only underscores confidence in the National Banking System (NBS) but also plays a crucial role in the system's liquidity. A broad and stable deposit base allows banks to more efficiently manage their short-term obligations and facilitate long-term investments.

Graph 6: Total domestic Deposits
April 2021 – April 2025

Source: General and International license banks.



Source: General License banks.

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. This high proportion of domestic deposits underscores local residents' confidence in the national banking system and their willingness to maintain their savings and financial resources within the country. This confidence is a positive indicator of public perceptions of the strength and stability of the NBS.

As observed in previous periods, term deposits continue to consolidate their position as the main driver of growth in deposits in the Panamanian banking sector. In April 2025, these instruments registered a year-over-year expansion of 13.0% in the domestic segment, rising from USD 26,850.4 million to USD 30,333.0 million (+USD 3,482.6 million), and a 14.5% growth in the external segment, increasing from USD 21,389.3 million to USD 24,499.0 million (+USD 3,109.7 million). This performance reinforces the strategic role of term instruments in shaping bank funding, by offering a relatively more stable base. However, their higher financial cost implies additional pressures on net interest margins, especially if not accompanied by an efficient allocation of credit to segments with adequate risk-adjusted returns. Current interest rate conditions also represent an opportunity to stagger maturities and optimize the liquidity profile, which allows for mitigating concentration risks and proactively managing the marginal cost of funding.

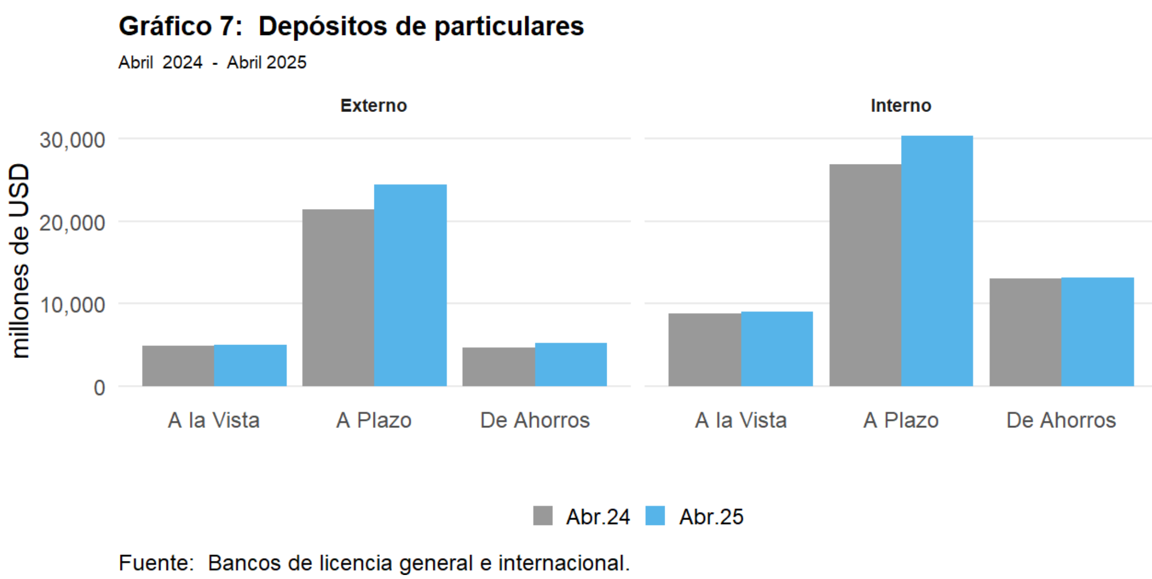
Regarding demand deposits, growth was more moderate. The domestic segment grew 1.3% year-over-year, from USD 8,853.8 million to USD 8,969.7 million (+USD 115.9 million), while the external segment increased 3.0%, reaching USD 5,021.5 million compared to USD 4,876.4 million in April 2024 (+USD 145.1 million). This performance suggests stable demand for highly liquid instruments, both for transactional needs and for short-term treasury purposes.

Savings deposits also performed positively. Domestic deposits grew 1.1%, reaching USD 13,152.1 million (from USD 13,006.4 million), while external deposits increased 10.4%, totaling USD 5,204.0 million (from USD 4,711.9 million). This trend indicates a progressive diversification of low-cost funding sources, which can provide greater resilience to the system's liability structure, particularly in the face of increased international volatility or pressure on funding spreads.

This mix of time, demand, and savings deposits underscores the importance of maintaining continuous monitoring of the maturity structure and market conditions, especially in the face of potential adjustments in international rates that could slow the growth of time deposits and divert flows toward liquidity.

Proactive management that leverages staggered maturities and encourages deposit diversification will help mitigate refinancing risk, maintain adequate liquidity levels, and strengthen the financial stability of the Panamanian banking system. Efficient management will be key to preserving risk-adjusted profitability and sustaining the soundness of the Panamanian banking system during the current financial cycle.

Graph 7: Customer Deposits
April 2024 – April 2025



Source: General and International license banks.

Panama's International Banking Center maintains the confidence of its depositors thanks to an increasingly diversified funding structure. The current liability profile combines low-cost funds with exposure to international interest rates, which requires active maturity management to optimize the marginal cost of funding and mitigate concentration and liquidity risks. Looking ahead, it will be important to rigorously monitor international capital flows and adjust fundraising strategies in the face of potential interest rate fluctuations. This proactive approach will be crucial to preserving the strength, stability, and competitiveness of the banking sector in the medium and long term.

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