



Superintendencia
de Bancos de Panamá

Banking Activity Report

May 2024

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Executive Summary

At the end of May 2024, the operations of the International Banking Center (IBC) reported suitable financial strength and performance indicators. The most recent solvency and legal liquidity indicators registered 15.49% and 57.91%, respectively. Likewise, the behavior of the portfolio's main aggregates shows that the local credit offer remains on a growth path (4.9% annually), given the greater contribution of the commercial and consumer portfolio, even with variations that indicate divergent and heterogeneous sector dynamics. Likewise, the portfolio quality indicator, showed in a 4.0% arrears rate, remains stable and consistent with figures reported in previous periods, demonstrating effective risk management. At the same time, a strengthening of the capital and liability's structure has been observed, which, beyond optimizing profitability, could also mitigate potential risks that are foreseen in 2024.

In May 2024, the Panama International Banking Center (IBC) reported an increase in total assets reaching the 14.86 billion. This represents a year-on-year increase of USD 70.44 billion, or 5.0%. This growth is attributed to the implementation of a strategy focused on maximizing returns on productive assets, complemented by an active and strategic management of available resources. Additionally, there has been a strengthening of the capital and liability structure, which not only enhances profitability but could also mitigate potential risks anticipated for 2024. However, while this approach may promote improved financial performance and mitigate certain risks, it is necessary to consider greater anticipation and planning to face of an economic environment that is expected to be less dynamic for this year; it is an aspect that the banking entities in the region should carefully consider.

At the end of May 2024, the local credit portfolio of the National Banking System's (SBN) recorded a balance of USD 61.85 billion. This amount shows an increase of 4.9% compared to the same period of the previous year, which means a growth of USD 2.87 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 May 2024, the SBN granted new credits totaling USD 9.81 billion, representing an increase of 18% compared to the same period of the previous year.

Regarding credit risk, during the analyzed period, there was a materialization of risk, although somewhat lower, it remains similar to last year. The non-performing and overdue portfolio represents 4.04% of the portfolio balance. The total non-performing loan indicator stood at 2.42% in May 2024. However, the coverage of non-performing loans remains above 100%. Additionally, arrears indicators (1.62% in May 2024) remain high but have shown stability in recent months. It is worth mentioning that both indicators show 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 towards future challenges.

In May 2024, the International Banking Center (CBI) 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 billion. This progress was supported by two main pillars: a 6.3% increase in domestic deposits, which reached USD 66 billion, and a robust 8.1% surge in foreign deposits, totaling USD 40.53 billion.

By the end of May 2024, banks belonging to the International Banking Center (CBI) recorded accumulated profits of USD 1.35 billion, marking a 15.7% 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 an 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 15.6% compared to the accumulated amount of the same month of the previous year, while operating expenses increased by 25.7%. Interest income from loans increased by 13.8% (a difference of USD 331.6 billion), while interest paid, primarily for term deposits, increased by 27% (USD 429.8 billion). While this performance is positive, the increase in operational expenses, especially interest paid, indicates a higher cost of financing. Even though the net profit for the period shows growth, this could place pressure on the interest margin in the future. Although this might suggest increases in active rates, they need to be weighed alongside a potential higher materialization of credit risk. This is relevant, as interest rates may remain at higher levels for longer than currently anticipated by the markets.

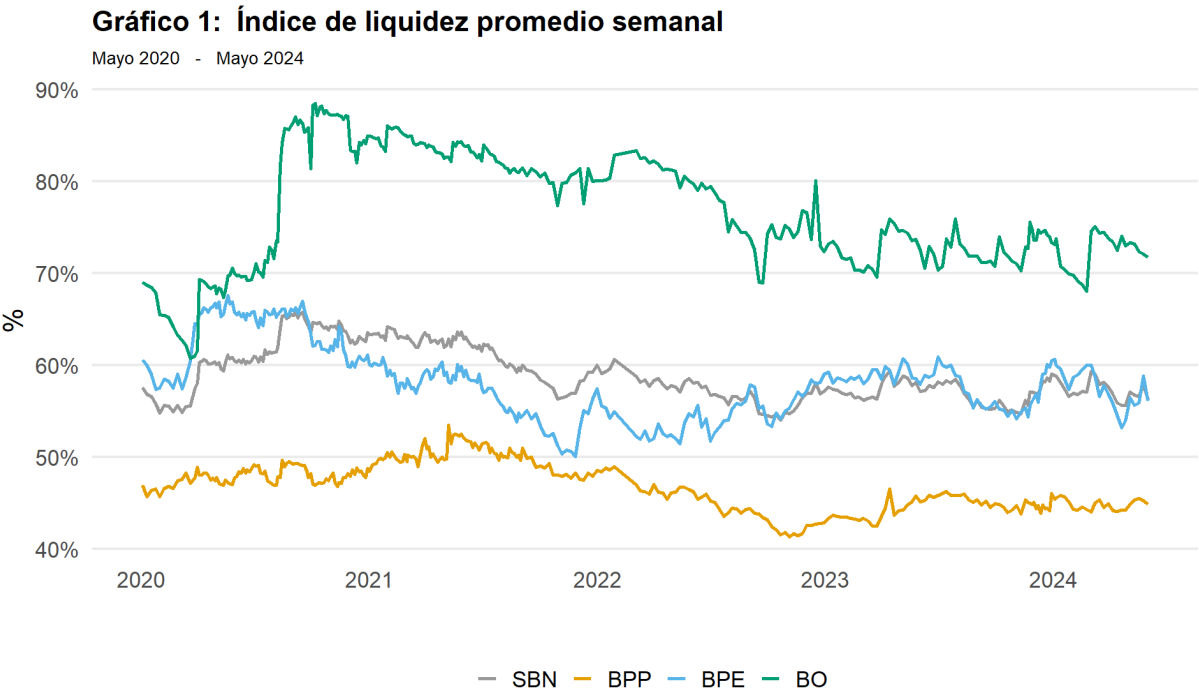
In conclusion, based on the joint analysis of several indicators the stability of the financial system remains resilient, with strong liquidity and solvency ratios despite the lower performance of the economy at the beginning of the year and the challenges of the external sector. Current regulations 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.

A. Liquidity

At the end of May 2024, the Panamanian banking sector exhibited a positive operating condition, reflected in an average liquidity ratio of 57.91%. This liquidity level, exceeding regulatory standards, was primarily attributable to an increase in deposit volumes, indicating active and efficient balance sheet management. Historically, 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
May 2020 – May 2024



Fuente: Bancos de licencia general.

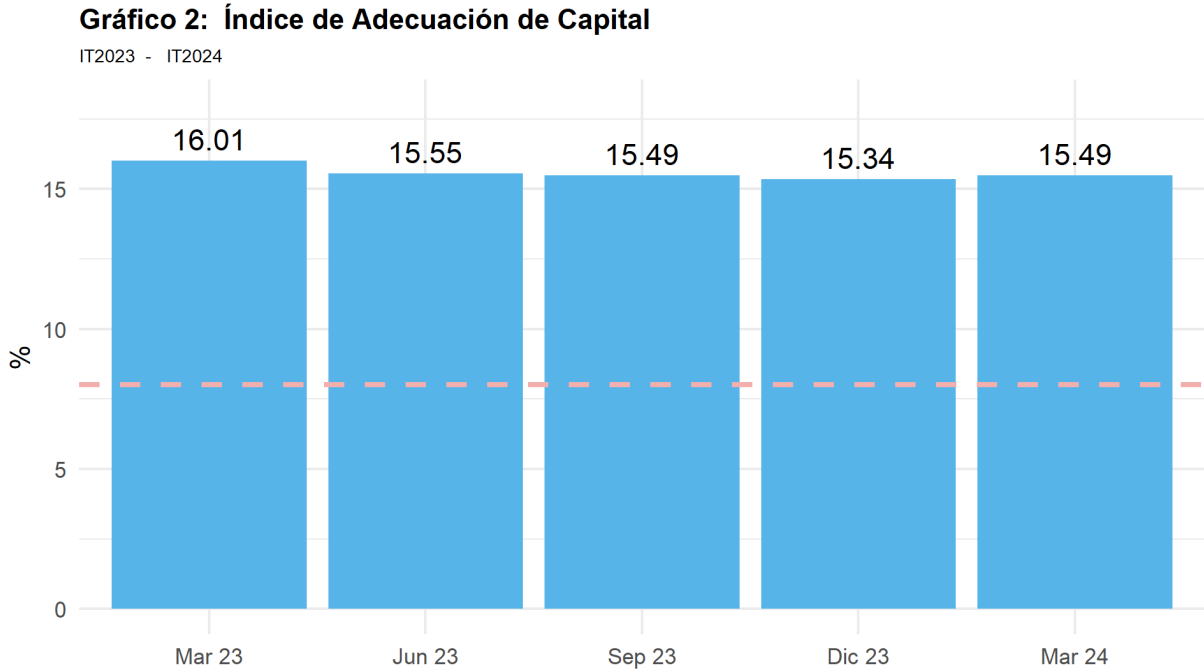
Source: General license banks.

B. Solvency

The latest Capital Adequacy Ratio (CAR) indicates that the banks within the International Banking Center (CBI) have maintained suitable 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
IT 2023 – IT 2024



Fuente: Bancos de licencia general e internacional.

Source: General and international license banks.

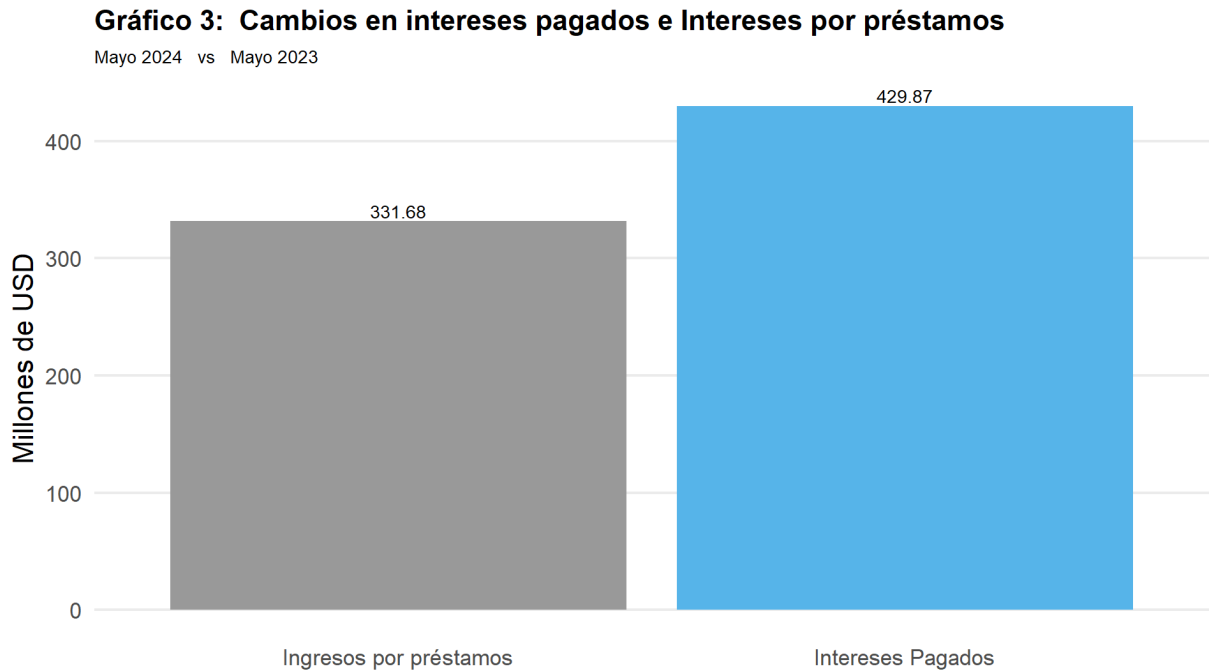
C. Income Statement

As of May 2024, banks within the International Banking Center (CBI) reported accumulated profits of USD 1.3 billion, marking a 15.7% 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, and the receipt of dividends. Additionally, a continuous containment of operating costs contributed to a significant increased banking efficiency.

It is worth noting that the results were heterogeneous among institutions, which underscores the importance of operational optimization and strategic decisions related to costs, efficiency, customer retention. The improvement in asset profitability is largely due to the increase in net interest income, which increased to 3.3%. Broken down by components, interest income experienced a 15.6% increase compared to the same month of the previous year, while operating expenses increased 25.7% year-on-year.

Interest incomes from loans increased by 13.8% representing an absolute variation of USD 331.68 million. On the other hand, interest paid, mainly on term deposits, increased by 27% (USD 429.87 million). This performance suggests that deposit interest rates could show a greater sensitivity to market changes, which could make some pressure over the interest margin.

**Graph 3: Changes in Interest Paid and Interest Lent
May 2024 vs. May 2023**



Fuente: Bancos de licencia general e internacional.

Source: General and international license banks.

Process optimization and cost reduction have been crucial to this positive performance. General expenses experienced a slight 4.4% increase, reaching USD 1.2 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 improves operational efficiency but also establishes a solid foundation for sustainable growth by leveraging automation and continuous improvement in service delivery.

Provisioning expenses decreased from USD 227 million in May 2023 to USD 224.64 million in May 2024, marking a 1% reduction. Although this reduction is positive, 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 arrears levels. This could require banks to strengthen their provisioning levels, to anticipate possible losses.

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. It is desirable that future CapEx ["Capital Expenditure"] 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.-May	Jan.-May	Difference	
	2023	2024	%	USD
C. Net interest income	1,412.4	1,459.5	3.3%	47.1
D. Other income	1,228.4	1,416.8	15.3%	188.4
E. Operating income	2,640.8	2,876.3	8.9%	235.5
F. General expenses	1,242.1	1,296.2	4.4%	54.1
G. Profit before provisions	1,398.7	1,580.1	13.0%	181.4
H. Bad debt	227.0	224.6	-1.0%	-2.3
I. Profit for the period	1,171.7	1,355.5	15.7%	183.8

Source: General and International License banks.

By the end of May 2024, the National Banking System (SBN) reported accumulated net profits of approximately USD 1.06 billion, representing a 20.4% increase compared to the same month in 2023. This remarkable growth in profits mirrors the performance observed in the International Banking Center (CBI), highlighting a trend of cost optimization in the banking sector. This remarkable growth in profits mirrors the performance observed in the International Banking Center (CBI), 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.

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

National Banking System	Jan-May	Jan-May	Difference	
	2023	2024	%	USD
C. Net interest income	1,251.1	1,301.4	4.0%	50.2
D. Other income	994.1	1,189.0	19.6%	194.9
E. Operating income	2,245.3	2,490.4	10.9%	245.1
F. General expenses	1,141.4	1,205.4	5.6%	64.0
G. Profit before provisions	1,103.9	1,285.0	16.4%	181.1
H. Bad debts	222.7	224.2	0.6%	1.4
I. Profit for the period	881.1	1,060.8	20.4%	179.7

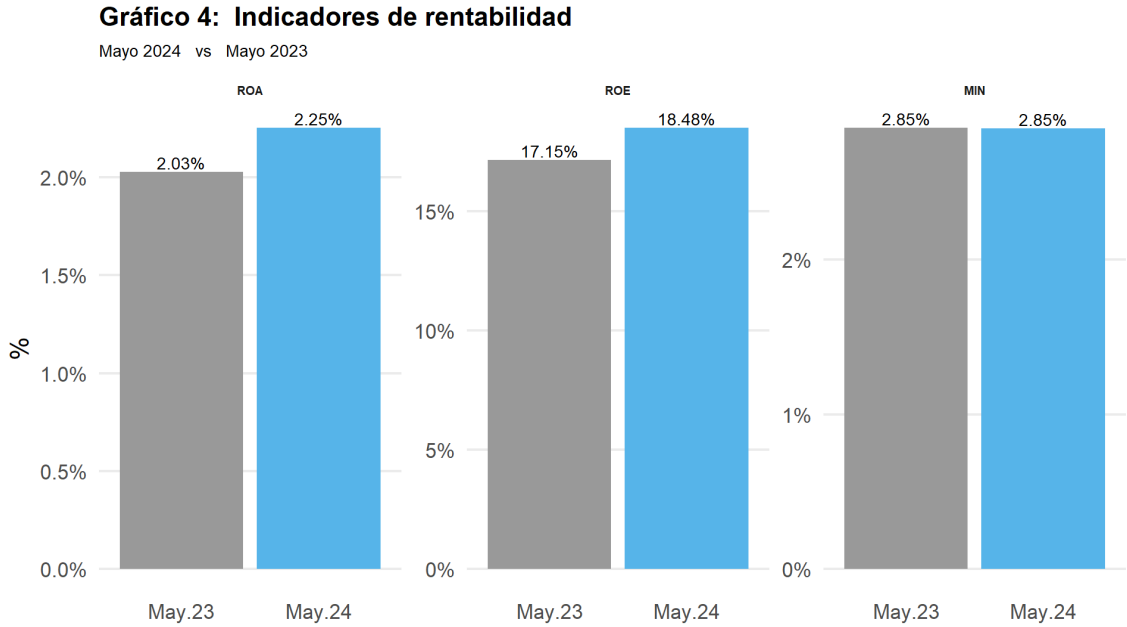
Source: General License banks.

D. Profitability indicators

A detailed analysis of the financial performance shows a notable improvement in profitability indicators during May 2024 compared to the previous year's results. Return on Equity (ROE) reached a solid 18.48%, while Return on Assets (ROA) stood at an outstanding 2.25%. These increases occurred in a context of continued loan growth and significantly reduced provisions for asset impairment.

It is important to mention that although most profitability metrics continue to improve, the Net Interest Margin (NIM) kept stable with a 2.85% in May 2023 and 2024. While this could reflect competitive conditions where banks may aim to attract loans and maintain deposits by offering more attractive interest rates, reducing the interest profit, and increasing financing costs. 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 long term profitability.

Graph 4: Profitability Indicators
May 2024 vs. May 2023



Fuente: Bancos de licencia general e internacional.

Source: General and international license banks.

E. Balance Sheet

At the end of May 2024, the Panamanian International Banking Center (CBI) showed a positive performance in its total assets, reaching USD 147.93 billion, a figure that indicates a year-on-year increase of USD 7.04 billion, or 5%. This growth is attributed to the implementation of a strategy aimed at optimizing the return on productive assets, complemented by an active and strategic management of available resources. This focusing is a strengthening of the capital and liability structure of the CBI, contributing to profitability as well as to mitigate potential risks foreseen for 2024.

Despite these advances, from a supervisory standpoint, greater anticipation and planning will be required given the less vigorous economic environment for this year. This factor could increase the risk of credit portfolio deterioration, which banks in the market must carefully evaluate.

The expansion in the CBI’s balance sheet indicates an acceleration in the growth of productive assets, largely driven by a 6.76% increase in the net credit portfolio, which reached USD 89.99 billion, and a 6.99% rise in the securities investments. In contrast, liquid assets decreased by 2.84% showing a strategic reallocation towards higher-yielding assets, indicating an 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. The performance of the external segment of the net loan portfolio showed an 9.73% 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 May 2024, deposits reached USD 106.03 billion, showing a 6.13% 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, the CBI has performed effective liability management strategies, with a 0.46% decrease in financial obligations. Although the rise in the cost of borrowing is challenging, there is 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 May 24 / May 23	
	May	May	Total	%
Liquid assets	18,351.92	17,831.23	-520.69	-2.84%
Net credit portfolio	84,293.99	89,996.03	5,702.04	6.76%
<i>Domestic</i>	58,981.39	61,859.14	2,877.75	4.88%
<i>Foreign</i>	27,723.92	30,420.30	2,696.39	9.73%
Securities	30,501.42	32,632.40	2,130.98	6.99%
Other assets	7,743.40	7,475.24	-268.16	-3.46%
Total Assets	140,890.73	147,934.90	7,044.17	5.00%
Deposits	99,911.17	106,034.89	6,123.72	6.13%
<i>Domestic</i>	61,609.24	65,501.42	3,892.18	6.32%
<i>Foreign</i>	38,301.94	40,533.48	2,231.54	5.83%
Obligations	19,791.16	19,700.06	-91.09	-0.46%
Other liabilities	4,083.36	4,105.17	21.81	0.53%
Capital	17,105.04	18,094.77	989.74	5.79%
Liabilities and Capital	140,890.73	147,934.90	7,044.17	5.00%

Source: General and International License banks

As for the assets of the National Banking System (general license banks only), they amounted to USD 131.77 billion, representing an increase of USD 7.81 billion or 6.30% compared to the previous year. The SBN's net loan portfolio showed a USD 5.62 billion (7.31%) increase, reaching USD 82.64 billion. Net foreign loans grew by 12.89%, while the net domestic portfolio grew by 4.88%.

The SBN's deposit base also showed an increase, reaching USD 93.66 billion, representing a 7.53% 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 9.77% 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 May. 24 / May. 23	
	May	May	Total	%
Liquid assets	13,927.98	14,708.65	780.67	5.61%
Net credit portfolio	77,019.84	82,646.71	5,626.88	7.31%
<i>Domestic</i>	58,981.39	61,859.14	2,877.75	4.88%
<i>Foreign</i>	20,397.23	23,027.10	2,629.86	12.89%
Securities	25,666.24	27,295.38	1,629.14	6.35%
Other assets	7,344.08	7,120.60	-223.48	-3.04%
Total Assets	123,958.13	131,771.34	7,813.21	6.30%
Deposits	87,109.29	93,666.69	6,557.40	7.53%
<i>Domestic</i>	61,388.62	65,392.12	4,003.49	6.52%
<i>Foreign</i>	25,720.67	28,274.58	2,553.91	9.93%
Obligations	19,686.80	19,577.09	-109.71	-0.56%
Other liabilities	3,859.95	3,925.29	65.33	1.69%
Capital	13,302.09	14,602.27	1,300.18	9.77%
Liabilities and Capital	123,958.13	131,771.34	7,813.21	6.30%

Source: General License banks

F. Credit

As of May 2024, the domestic loan portfolio of the National Banking System reached USD 61.85 billion. This amount reflects an increase of 4.9% compared to the same period of last year, which translates into a net growth of USD 2.87 billion. Although several portfolios that make up this domestic aggregate showed annual growth rates, some of them had negative performance. During the accumulated period from January to May 2024, the National Banking System granted new loans totaling USD 9.8 billion, representing an increase of 18% compared to the same period of last year.

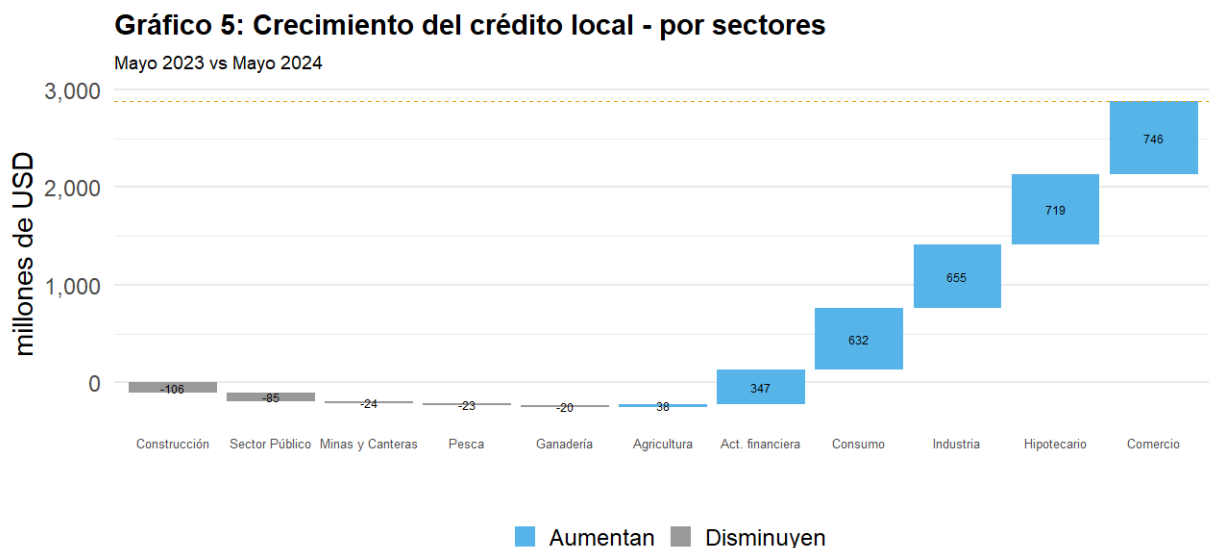
Table 7: National Banking System
Balance of Domestic Credit Portfolio by Economic Sectors
(In millions of USD)

Sector	May-23	May-24	Difference May. 23/May. 24	
			Total	%
TOTAL	58,981	61,859	2,878	4.9%
Public sector	1,587	1,502	-85	-5.4%
Private sector	57,394	60,357	2,963	5.2%
Financial and insurance act.	1,647	1,994	347	21.1%
Agriculture	497	535	38	7.7%
Livestock	1,330	1,310	-20	-1.5%
Fishing	119	96	-23	-19.6%
Mining and Quarrying	63	39	-24	-38.5%
Commerce	11,964	12,709	746	6.2%
Industry	3,399	4,054	655	19.3%
Mortgages	20,139	20,858	719	3.6%
Construction	4,995	4,889	-106	-2.1%
Personal consumption	13,242	13,874	632	4.8%

Source: General License banks

In general terms, the analysis shows a positive trend, especially in activities such as (See Table 7): agriculture (USD 38 million), financial and insurance (USD 347 million), manufacturing (USD 655 million), and personal consumption (USD 632 million), commerce (USD 746 million) and mortgages (USD 179 million), which indicates an economic environment of growth and expansion. However, sectors such as construction, the public sector, mining and quarrying, and fisheries are experiencing reductions in their credit portfolios, which could reflect specific challenges within these sectors that need to be addressed to foster its growth.

Graph 4: Profitability Indicators
May 2024 vs. May 2023



Fuente: Bancos de licencia general e internacional.

Source: General and international license banks.

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 19.3% and 6.2%, 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 38.5%, while fishing recorded a 19.6% 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 2.1% and 1.5%, respectively, continue to play relevant roles in the bank's loan portfolio.

Over the past 12 months, the household loan portfolio (USD 18.3 billion household credit and USD 13.87 billion consumer loan) has shown a sustained growth of 4.8% (**See Table 8**). Specifically, mortgage loans recorded an annual growth of 4.8% 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 with positive rates in all segments.

Table 8: National Banking System
Balance of local household credit portfolio
(in millions of USD)

	May. -23	May. -24	Difference	
			USD	%
Household credit	30,750	32,223	1,473	4.8%
TOTAL Consumption	13,242	13,874	632	4.8%
Card	2,152	2,383	231	10.7%
Personal loan	9,273	9,557	284	3.1%
Car loan	1,817	1,934	117	6.4%
Housing mortgage	17,508	18,349	841	4.8%

Source: General License banks

It is crucial that banks continue to expand their credit portfolios to mitigate risks in order to promote sustainable portfolio growth. By distributing credit across different economic sectors, exposure to sectoral volatility can be reduced and greater financial stability can be ensured. Diversification also allows banks to support a broader range of economic activities, thereby fostering more balanced and robust development at the national level.

Regarding credit risk, during the analyzed period, it was evident that there was some materialization, albeit smaller, still at levels similar to last year. The non-performing and overdue portfolio represents 4.04% of the total portfolio balance. The total overdue portfolio indicator recorded 2.42% in April 2024 relative to the portfolio balance. However, the coverage of the overdue portfolio through provisions remains above 100%.

In addition, the non-performing loan and risk indicators of the consumer portfolio are still at prominent levels but have shown stability in recent months. It is worth mentioning that both indicators show 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, a proactive risk management is crucial. Furthermore, the ability to adapt to a constantly evolving economic environment will be key in preserving the CBI's stability and promoting its sustainability towards 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 102.7% compared to 107.7% 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.

G. Deposits

In May 2024, the International Banking Center (CBI) experienced a remarkable year-on-year growth of 6.13% in the balance of traditional bank deposits, reaching a total deposit volume of USD 106.03 billion. This progress was supported by two main pillars: a 6.32% increase in domestic deposits, totaling USD 65 billion, and a robust 5.83% increase in foreign deposits, totaling USD 40.53 billion.

In local terms, domestic deposits grew by USD 3.89 billion during the period surveyed compared to the previous year. This growth was driven by a significant 14.64% increase in domestic government deposits, totaling USD 13.25 billion. Domestic customer deposits grew by 4.57%, reaching USD 49 billion, while domestic bank deposits decreased by 1.77%, standing at USD 3.24 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 4.83%, reaching USD 30.93 billion, and foreign bank deposits grew by 8.99%, totaling USD 9.26 billion. However, foreign government deposits, although small in volume, experienced a decrease of 13.99%, standing at USD 334.1 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 9: International Banking Center
Total Deposits
(In millions of USD)

Accounts	2023	2024	Difference May 24 / May 23	
	May	May	Total	%
Deposits	99,911.2	106,034.9	6,123.7	6.1%
Domestic	61,609.2	65,501.4	3,892.2	6.3%
Government	11,555.0	13,246.5	1,691.5	14.6%
Customer	46,866.8	49,010.9	2,144.1	4.6%
Banks	3,187.5	3,244.0	56.6	1.8%
Foreign	38,301.9	40,533.5	2,231.5	5.8%
Government	293.1	334.1	41.0	14.0%
Customer	29,509.6	30,936.1	1,426.5	4.8%
Banks	8,499.2	9,263.2	764.1	9.0%

Source: General and International License banks.

Within the domestic financial landscape, the National Banking System (SBN) demonstrated solid development, in line with the performance of the International Banking Center (CBI). By May 2024, the SBN recorded total deposits of USD 93.66 billion, marking a year-on-year increase of 7.5%. This solid growth highlights continued confidence in the local banking system. Domestic deposits experienced a 6.5% growth, totaling USD 65.39 billion. This growth was driven by a marked increase of 14.6% in government deposits. On the other hand, foreign deposits showed a remarkable advance of 9.9%, totaling USD 28.27 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 sides, consolidating its position (see Table 9).

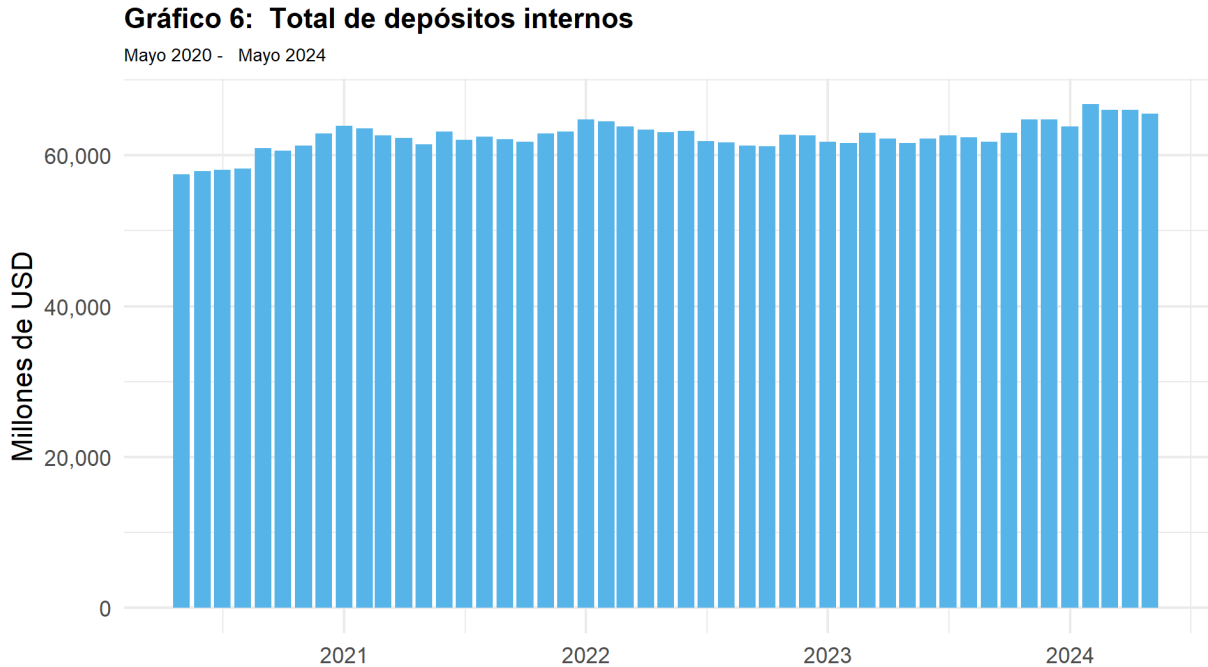
Table 10: National Banking System
Total Deposits
(In millions of USD)

Accounts	2023	2024	Difference. May 24 / May 23	
	May	May	Total	%
Deposits	87,109.3	93,666.7	6,557.4	7.5%
Domestic	61,388.6	65,392.1	4,003.5	6.5%
Government	11,555.0	13,246.5	1,691.5	14.6%
Customer	46,866.8	49,010.9	2,144.2	4.6%
Banks	2,966.9	3,134.7	167.9	5.7%
Foreign	25,720.7	28,274.6	2,553.9	9.9%
Government	237.5	256.3	18.8	7.9%
Customer	17,542.0	19,243.3	1,701.2	9.7%
Banks	7,941.1	8,775.0	833.9	10.5%

Source: General License banks.

Graph 6 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 (SBN) 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 74.8% of the total in the National Banking System (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 6: Total Domestic Deposits
May 2020 – May 2024



Fuente: Bancos de licencia general.

Source: General license banks.

The structure of customer liabilities by maturity, presented in **Graph 7**, highlights that fixed-term deposits continue to be the most prominent savings instrument. As of May 2024, customer domestic fixed-term deposits amounted to USD 27.15 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.

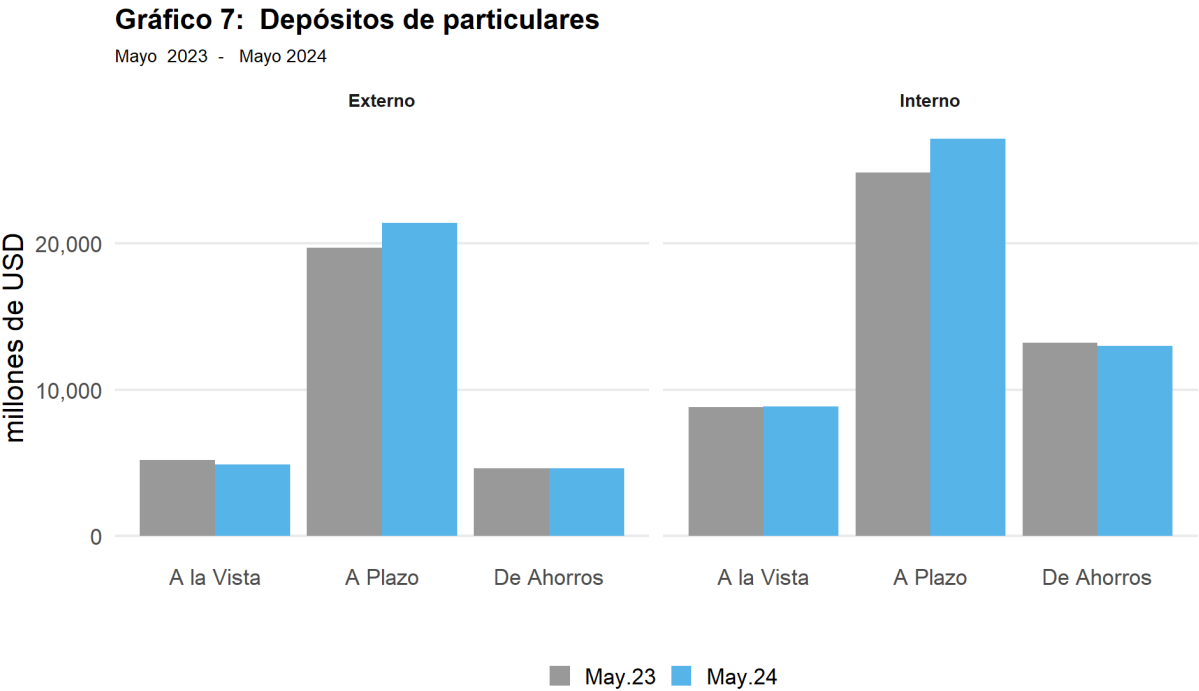
This performance suggests a continued preference for investment instruments with a potentially higher return profile, even though they may have a lower level of liquidity. On the contrary, a reduction was recorded in highly liquid instruments. Demand deposits decreased from USD 8.80 billion in May 2023 to USD 8.84 billion in May 2024, while savings deposits also showed a decrease, from USD 13.20 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.

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 7: Customer Deposits
May 2023 – May 2024



Fuente: Bancos de licencia general e internacional.

Source: General and International license banks.



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