Banking Activity Report

May 2025

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Executive Summary

As of the end of May 2025, the Panamanian banking system maintains a solid financial position, supported by sound risk management, prudential levels of solvency and liquidity, and a reasonably positive operating performance in a challenging international environment. Although some profitability indicators show signs of moderation, the expansion of the credit portfolio and stable funding continue to strengthen the system's resilience.

I. Liquidity and Solvency: The International Banking Center (IBC) maintains robust liquidity indicators, with both the legal liquidity ratio and the Liquidity Coverage Ratio (LCR) remaining above regulatory thresholds. The Capital Adequacy Ratio (CAR) remains comfortably above the minimum regulatory requirement, ensuring a sufficient buffer to absorb potential external or credit-related shocks.

II. Balance Sheet Structure: Both the IBC and the National Banking System (NBS) recorded year-over-year growth of over 6% in net assets, driven mainly by the dynamism of the credit portfolio. The diversification of liabilities—particularly in external funding and term deposits—reinforces the structural stability of the system. Investments in securities also contributed positively to the growth of productive assets.

III. Profitability and Operating Results: The IBC's accumulated profits reached USD 1,198.95 million, reflecting a year-over-year decline of –11.4%, attributable to margin compression, higher operating expenses, and a lower incidence of extraordinary income. This variation reflects a slowdown in the pace of profit generation, not a loss, underscoring the system's ability to maintain positive results. In contrast, the NBS sustained its profitability with a 1.3% increase in net profits (USD 1,071.52 million), supported by controlled expense management and stable loan loss provisions. In both cases, interest income grew moderately, while non-interest income showed mixed performance across banks.

IV. Credit Activity: NBS's gross domestic credit portfolio reached USD 64,652 million (+4.5%), with notable dynamism in the commerce and consumer segments. However, sectors such as livestock, fishing, and construction experienced contractions. Delinquency remains under control, with the IBC's non-performing loan ratio at 2.27% and provision coverage at adequate levels, in line with expected loss guidelines under IFRS 9. Although credit origination and portfolio quality indicators have improved year-over-year, it is important to consider that recent performance may be partially influenced by transitory factors with potential medium-term effects—such as operational disruptions resulting from protests that occurred during the second quarter of 2025. While the system has maintained adequate asset quality levels, there is a risk of lagging impacts on the loan portfolio, particularly in regions or sectors more exposed to logistical disruptions or temporary declines in income. Therefore, the Superintendency of Banks will continue monitoring performance associated with these events

V. Deposits and Funding Composition: Deposits remain the primary source of funding, with a growing share of external components. In the International Banking Center (IBC), external deposits grew by 10.86%, particularly those from non-resident individuals (+13.35%). In the National Banking System (NBS), domestic funding remains significant, although the share of time deposits has increased, reflecting a preference for higher-yield instruments.

VI. Conclusion: The Panamanian banking system remains resilient in the face of a more uncertain external environment and pressure on margins. The financial results confirm the banks' ability to generate positive earnings, albeit with less momentum than in 2024. In this context, it is essential to enhance operational efficiency, optimize the funding structure, and further diversify income sources while preserving asset quality and prudential standards. The Superintendency of Banks of Panama will continue to apply proactive, risk-based supervision aimed at anticipating vulnerabilities and safeguarding the country's financial stability.

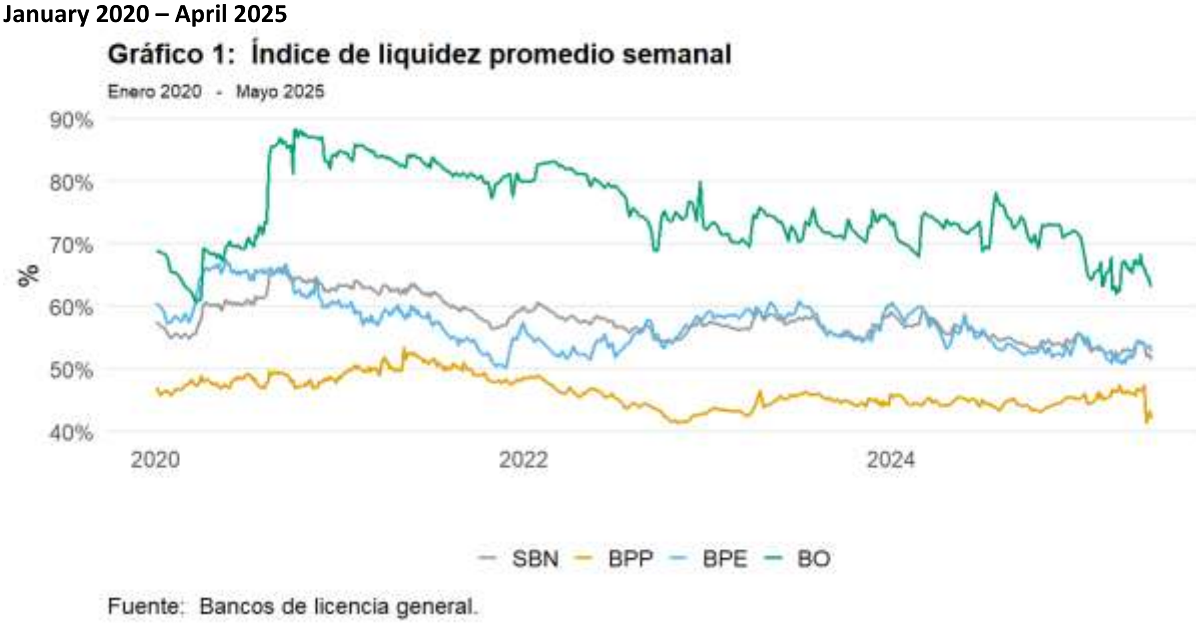
A. Liquidity

At the close of May 2025, the Panamanian banking sector has demonstrated a solid operating position, evidenced by an average liquidity ratio of 56.9%, exceeding the regulatory minimum.

Banks in the system have historically maintained strong liquidity buffers, supported by stable access to both structural and wholesale deposits, which continue to be key components of their funding structure. Although institutional deposits offer cost advantages, they also carry inherent volatility risks during 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 funding but requires banks to maintain strong relationships with their client base and exercise careful management.

Currently, the banking system comfortably meets the Liquidity Coverage Ratio (LCR) requirement, with an average well above the regulatory threshold. This level of compliance reinforces the sector's capacity to withstand potential stress in financial markets. While interest rates have begun to decline—alleviating some pressure on funding costs—it will be crucial for banks to adjust their strategies to capitalize on the more accommodative monetary policy environment in developed countries. At the same time, they must maintain prudent management to ensure healthy financial margins and sufficient liquidity. The system's resilience to potential external shocks will depend on its ability to preserve liquidity buffers at optimal levels, thereby ensuring operational sustainability and responsiveness over the medium and long term.

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



Source: General license banks.

B. Solvency

The Capital Adequacy Ratio (CAR) of banks operating in Panama's International Banking Center (IBC) has remained at 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 Chart 2), which not only comfortably exceeds the regulatory threshold but also reflects a strong capacity to absorb financial shocks in a volatile economic environment. This level of capitalization provides a sufficient buffer to absorb unexpected losses, supporting the stability of the banking system.

The evolution of the CAR in recent years has shown a stable trend, with fluctuations within a narrow range, indicating prudent capital management by IBC institutions. This stability is especially relevant in the current global and domestic macroeconomic environment, where the ability to maintain adequate capital levels is crucial for preserving market confidence and financial resilience.

In conclusion, while IBC banks have demonstrated strong capacity to maintain adequate capital levels, the evolution of financial and macroeconomic risks will require active and prudent management to safeguard systemic stability. The ability of institutions to adapt to changes in the regulatory and economic environment will be a key factor in their future performance.

Graph 2: Capital Adequacy Ratio
2020 – 2024

Source: General and international license banks.

C. Balance Sheet

o International Banking Center

As of the end of May 2025, Panama's International Banking Center (IBC) reported net assets of USD 156.776 billion, representing a year-on-year increase of USD 8.841 billion (+6.0%). This growth reflects the continuation of a strategy focused on expanding productive assets and optimizing balance sheet use, in a context of global financial normalization and increased regional competition for liquidity. The performance observed suggests an efficient allocation of resources and prudent balance sheet management, contributing to the preservation of 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. May. 25 / May. 24	
	May	May	Absolute	%
NET LIQUID ASSETS	17,831.2	17,011.8	-819.4	-4.6%
NET CREDIT PORTFOLIO	89,996.0	98,506.0	8,510.0	9.5%
Domestic	59,834.1	62,743.8	2,909.7	4.9%
Foreign	30,161.9	35,762.2	5,600.2	18.6%
NET INVESTMENTS IN SECURITIES	32,632.4	33,291.0	658.6	2.0%
OTHER ASSETS	7,475.3	7,967.2	491.9	6.6%
TOTAL NET ASSETS	**147,935.0**	**156,776.0**	**8,841.0**	**6.0%**
Deposits	106,034.9	112,720.5	6,685.6	6.3%
Domestic	65,501.4	67,784.7	2,283.3	3.5%
Foreign	40,533.5	44,935.8	4,402.3	10.9%
OBLIGATIONS	19,700.1	21,893.6	2,193.5	11.1%
OTHER LIABILITIES	4,105.2	4,702.0	596.8	14.5%
CAPITAL	18,094.9	17,460.0	-634.9	-3.5%
LIABILITIES AND CAPITAL, TOTAL	**147,935.0**	**156,776.0**	**8,841.0**	**6.0%**

Source: General and International License banks.

In terms of liquidity, net liquid assets stood at USD 17.012 billion, reflecting a year-on-year contraction of USD 819.4 million (–4.6%). This decline is due to a reallocation of resources toward more profitable assets, in line with strategic decisions aimed at improving portfolio yield without compromising minimum regulatory coverage levels. Domestic available funds remained stable, while the management of liquid components reflected a balance between safety, liquidity, and return.

Net loans remained the main driver of asset expansion, increasing by USD 8.510 billion (+9.5%) to reach USD 98.506 billion. This result was mainly driven by the dynamism of external credit, which grew by 18.6% (+USD 5.600 billion), while the domestic loan portfolio also maintained a positive trend, growing by 4.9% (+USD 2.910 billion). This expansion was accompanied by stable risk profiles, in line with more favorable macro-financial conditions and a greater degree of selectivity in credit origination.

The net investment portfolio totaled USD 33.291 billion, showing a year-on-year increase of 2.0% (+USD 658.6 million). A greater allocation to local instruments was observed, possibly reflecting a search for yield stability amid ongoing international market volatility. Meanwhile, other assets increased by 6.6%, reaching USD 7.967 billion, driven by accounts receivable and operating assets.

On the liabilities side, deposits remained the main source of funding, reaching USD 112.721 billion (+6.3%). Of this total, domestic deposits grew by 3.5% (+USD 2.283 billion), while foreign deposits rose by 10.9% (+USD 4.402 billion), with strong growth in nonresident individual deposits. This performance reaffirms the IBC's appeal as a destination for regional capital.

Financial obligations reached USD 21.894 billion (+11.1%), reflecting a strategy to diversify wholesale funding, particularly with international counterparties. Meanwhile, other liabilities rose by 14.5% to USD 4.702 billion, driven by increased operating provisions and accounts payable, in line with the growing operational activity of the banking sector in Panama.

Finally, net equity stood at USD 17.460 billion, representing a year-on-year contraction of USD 634.9 million (–3.5%), possibly linked to valuation adjustments or profit distributions in some entities. Nevertheless, capital levels remain adequate relative to the overall risk profile.

Overall, the May 2025 results consolidate the IBC's positioning as a resilient financial platform, with the capacity to grow sustainably even amid external volatility. The favorable evolution of productive assets, along with a diversified funding structure and still solid capital base, supports a stable outlook for the IBC—although maintaining proactive risk management and continued monitoring of external funding and credit quality determinants will be key.

- **National Banking System**

As of the end of **May 2025**, Panama's National Banking System (NBS) reported total net **assets** of USD 140.403 billion, representing year-on-year growth of 6.6% (+USD 8.631 billion). This expansion was mainly driven by the net loan portfolio, which increased by USD 6.272 billion (+7.6%) to reach USD 88.919 billion. Loan growth reflected increases in both the domestic segment (+4.9%, +USD 2.910 billion) and the external segment (+14.7%, +USD 3.362 billion), in line with greater lending to corporate clients and a progressive recovery in aggregate demand for financing. The expansion of credit was accompanied by stable risk conditions, suggesting a more predictable environment for origination under prudent standards.

Net investments in securities also made a significant contribution, growing by 9.0% (+USD 2.460 billion) to total USD 29.755 billion. This behavior reflects increased appetite for fixed-income instruments, mainly local, amid a global financial environment still marked by volatility.

In contrast, net liquid assets decreased by 4.4% (–USD 651.0 million), totaling USD 14.058 billion, suggesting a strategic reallocation toward more profitable assets and an optimization of the maturity profile without compromising minimum regulatory metrics. Meanwhile, other assets rose by 7.7% (+USD 550.9 million) to USD 7.672 billion, driven by transitional balances, tax recoverable, and operating assets.

On the liabilities side, deposits remained the main source of funding, reaching USD 98.495 billion (+5.2%). Domestic deposits grew by 3.4% (+USD 2.224 billion), while foreign deposits increased by 9.2% (+USD 2.604 billion), reflecting greater inflows from nonresident individuals, especially in term and savings instruments. This external growth reinforces the NBS's attractiveness as a regional liquidity destination, although it also increases the system's sensitivity to international funding conditions.

Financial obligations totaled USD 21.594 billion, growing by 10.3% (+USD 2.017 billion), in line with a strategy to diversify wholesale funding, mainly through international financing. Meanwhile, other liabilities rose by 14.7% (+USD 578.8 million) to USD 4.504 billion, reflecting increased operating provisions, accounts payable, and liabilities derived from interbank and market operations.

System equity strengthened by 8.3% (+USD 1.207 billion), reaching USD 15.810 billion, driven by retained earnings accumulation, higher regulatory reserves, and sustained internal capitalization.

Overall, the NBS's performance as of May 2025 reflects an orderly balance sheet expansion, focused on growing productive assets, diversifying funding sources, and strengthening equity. Continued prudent management of liquidity, credit quality, and capital adequacy will be key to preserving the system's resilience amid a shifting international financial environment, where risks of volatility and tightening external conditions persist.

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

ACCOUNTS	2024 May	2025 May	Var. May. 25 / May. 24	
			Absolute	%
NET LIQUID ASSETS	14,708.6	14,057.7	(650.97)	-4.4%
NET CREDIT PORTFOLIO	82,647	88,919	6,272	7.6%
Domestic	59,834	62,744	2,910	4.9%
Foreign	22,813	26,174	3,362	14.7%
INVESTMENTS IN NET ASSETS	27,295.4	29,754.8	2,459.46	9.0%
OTHER ASSETS	7,120.7	7,671.6	550.86	7.7%
TOTAL NET ASSETS	**131,771.5**	**140,402.9**	**8,631.42**	**6.6%**
Deposits	93,666.7	98,495.0	4,828.30	5.2%
Domestic	65,392.1	67,616.1	2,223.95	3.4%
Foreign	28,274.6	30,878.9	2,604.35	9.2%
OBLIGATIONS	19,577.1	21,594.2	2,017.15	10.3%
OTHER LIABILITIES	3,925.3	4,504.1	578.81	14.7%
CAPITAL	14,602.4	15,809.5	1,207.15	8.3%
LIABILITIES AND CAPITAL, TOTAL	**131,771.5**	**140,402.9**	**8,631.42**	**6.6%**

Source: General License banks.

D. Income Statement

- **International Banking Center (IBC)**

As of the end of May 2025, the International Banking Center (IBC) reported accumulated net profits of USD 1,198.95 million, representing a year-on-year decrease of 11.4% (USD –153.63 million) compared to the USD 1,352.58 million obtained during the same period in 2024. This variation reflects a moderation in the pace of profit generation, not a loss, thereby highlighting the system's ability to maintain positive results. The observed contraction is mainly attributable to pressure on financial margins, increases in the operating cost structure, and a lower contribution from dividend income and extraordinary items.

Interest income totaled USD 3,737.54 million (+2.8% year-on-year), driven mainly by a 5.1% increase in income from loans (USD 2,868.72 million) and a 5.7% increase in investment portfolio income (USD 547.38 million). However, income from deposits declined by 18.0% (USD 291.96 million), as did lease income (–21.0%) and other income items (–6.1%).

Operating expenses totaled USD 2,329.95 million (+6.8%), reflecting higher funding costs. Specifically, interest paid increased by 6.9% (USD 2,160.78 million), while associated fees rose by 5.6%, reaching USD 169.17 million. As a result, net interest income fell by 3.3%, standing at USD 1,407.59 million (USD –48.7 million).

Other income reached USD 1,446.85 million, representing a year-on-year increase of 2.1%. Within this category, service fees grew by 8.6% (USD 567.15 million), and foreign exchange operations expanded by 33.9% (USD 9.73 million). However, dividend income fell sharply by 21.3%, to USD 386.52 million, affecting the performance of the non-financial income component. On the other hand, the "other income" category posted an expansion of 22.0% (USD 483.45 million), although this performance may be subject to greater volatility.

Net operating income declined by 0.7%, amounting to USD 2,854.44 million, while general expenses increased by 10.3%, reaching USD 1,429.87 million. This increase was driven by higher general expenses (+10.2%) and a significant rise in other expenses (+27.2%), which evidences growing pressure on the system's operating structure.

As a result, profit before provisions fell to USD 1,424.57 million (–9.7%), while provisions for bad debts remained relatively stable at USD 225.62 million (+0.4%). Consequently, net profit for the period stood at USD 1,198.95 million, consolidating a year-on-year contraction of 11.4%.

In this context, the sustainability of banking profitability will depend on the system's ability to optimize operational efficiency, contain the growth of structural expenses, and strengthen sources of income that are less sensitive to the financial cycle. Prudent credit risk management, under the expected loss framework of IFRS (NIIF for its acronym in Spanish), along with an active strategy for monitoring funding costs, will be critical to preserving margins in an environment of high real interest rates and increasing competition for liquidity.

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

ACCOUNTS	2024	2025	Var. May 25 / May 24	
	May	May	Absolute	%
C. Net interest income	1,456.3	1,407.6	-48.7	-3.3%
D. Other income	1,416.8	1,446.9	30.0	2.1%
E. Operating income	2,873.1	2,854.4	-18.7	-0.7%
F. General expenses	1,295.9	1,429.9	134.0	10.3%
G. Profit before provisions	1,577.2	1,424.6	-152.6	-9.7%
H. Bad debt	224.6	225.6	1.0	0.4%
I. Profit for the period	**1,352.6**	**1,199.0**	**-153.6**	**-11.4%**

Source: General License banks.

- **National Banking System**

As of the end of May 2025, the National Banking System (NBS) reported accumulated net profits of USD 1,071.52 million, representing a year-on-year increase of 1.3% (USD +13.58 million) compared to the USD 1,057.93 million obtained in the same period of 2024. This positive, albeit moderate, performance reflects a still-challenging operating environment, characterized by pressure on margins, partially offset by revenue growth and control over operating expenses.

Interest income amounted to USD 3,379.06 million (+3.2% year-on-year), mainly driven by a 4.9% increase in income from loans (USD 2,644.01 million) and a 5.8% rise in income from investments (USD 483.03 million). In contrast, income from deposits fell by 15.8% to USD 237.10 million, reflecting lower returns on liquid placements or adjustments in treasury strategies. Declines were also observed in lease income (–3.6%) and other items (–13.9%).

Operating expenses totaled USD 2,113.57 million (+6.9%), mainly due to increases in interest paid (+7.0%, reaching USD 1,956.24 million) and liability-related fees (+5.1%, reaching USD 157.33 million). As a result, net interest income declined by 2.5%, reaching USD 1,265.49 million, reflecting pressure on financial margins stemming from a high interest rate environment and greater competition for liquidity.

Other income totaled USD 1,257.17 million (+5.7%), driven by growth in service fees (+9.6%, to USD 542.13 million), foreign exchange operations (+43.5%), and dividends (+9.0%, to USD 382.20 million). However, there was a 4.0% contraction in other income (USD 324.41 million), possibly associated with lower extraordinary income or base effects from non-recurring events in the previous year.

Net operating income increased slightly by 1.4%, reaching USD 2,522.66 million, while general expenses grew by 2.8%, amounting to USD 1,239.26 million. Within this category, increases were observed in general (+10.2%) and administrative expenses (+3.9%), although there was a significant reduction in other expenses (–13.6%, USD 185.11 million), which helped ease pressure on operational efficiency.

Profit before provisions stood at USD 1,283.40 million (+0.1%), while provisions for bad debts declined by 5.5%, to USD 211.88 million, reflecting a relative improvement in credit performance or adjustments to expected loss models.

Overall, the accumulated results as of May suggest stable and resilient profitability, supported by credit portfolio growth, dynamic non-financial income, and disciplined expense management. Going forward, it will be essential to maintain proactive credit risk management, contain operating costs, and continue deepening income diversification—particularly in a context of high real interest rates and intense competition for resources.

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

ACCOUNTS	2024 May	2025 May	Var. May. 25 / May. 24 Absolute	%
C. Net interest income	1,298.2	1,265.5	-32.7	-2.5%
D. Other income	1,189.0	1,257.2	68.1	5.7%
E. Operating income	2,487.2	2,522.7	35.4	1.4%
F. General Expenses	1,205.1	1,239.3	34.1	2.8%
G. Profit before provisions	1,282.1	1,283.4	1.3	0.1%
H. Bad debt	224.2	211.9	-12.3	-5.5%
I. Profit for the period	**1,057.9**	**1,071.5**	**13.6**	**1.3%**

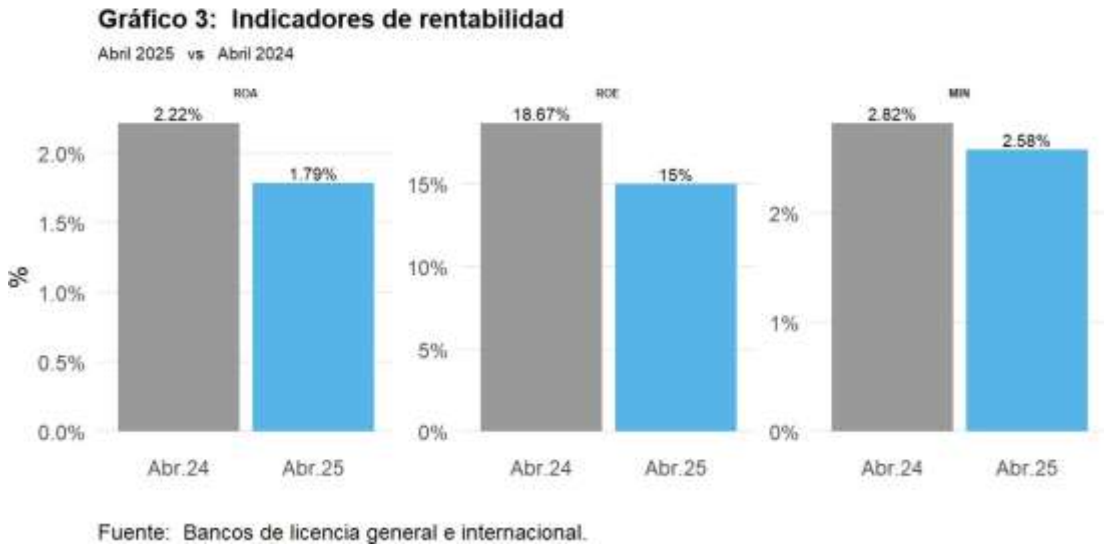
Source: General License banks.

E. Profitability indicators

As of the end of May 2025, a further contraction was observed in key financial performance ratios, consistent with an environment marked by tighter margins and persistently high funding costs. Return on Assets (ROA) stood at 1.89%, down from 2.25% in May 2024—a decline of 36 basis points. Similarly, Return on Equity (ROE) fell to 16.19%, compared to 18.44% in the same month of the previous year, reflecting a drop of 225 basis points. The Net Interest Margin (NIM) also declined, from 2.84% to 2.62%, indicating a compression of 22 basis points.

Although most institutions have managed to sustain reasonable levels of profitability through operational restructuring and greater diversification of non-financial income, the contraction in the NIM highlights the urgency of optimizing asset and liability management. In this context, it is essential to implement more dynamic pricing strategies, focus efforts on segments with stronger margin resilience—such as corporate banking and transactional services—and accelerate the digitalization of processes and channels to curb the growth of structural costs.

Graph 3: Profitability indicators
May 2025 vs. May 2024



Source: General and international License banks.

F. Credit

As of May 2025, the gross local credit portfolio of the National Banking System (SBN) reached USD 64.652 billion, representing a year-on-year increase of 4.5% (USD 2.793 billion). This performance reflects strong credit demand, driven mainly by the consumption and commerce segments. The credit expansion suggests a combination of economic resilience in the face of recent local events and stable financing conditions provided by domestic banks.

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

Sector	2024 May	2025 May	Δ absolute USD	Δ relative %
TOTAL	**61,859.1**	**64,652.4**	**2,793.2**	**4.5%**
Public sector	**1,501.9**	**2,412.6**	**910.7**	**60.6%**
Private sector	**60,357.2**	**62,239.8**	**1,882.6**	**3.1%**
Financial and insurance act.	1,993.9	2,038.7	44.7	2.2%
Agriculture	534.8	588.5	53.7	10.0%
Livestock	1,309.9	1,286.6	- 23.2	-1.8%
Fishing	95.6	89.1	- 6.5	-6.8%
Mining and Quarrying	38.5	41.2	2.7	6.9%
Commerce	12,709.3	13,580.1	870.8	6.9%
Industry	4,053.8	4,162.5	108.7	2.7%
Mortgage	20,858.5	21,292.4	434.0	2.1%
Construction	4,888.8	4,686.8	- 202.0	-4.1%
Personal Consumption	13,874.1	14,473.8	599.7	4.3%

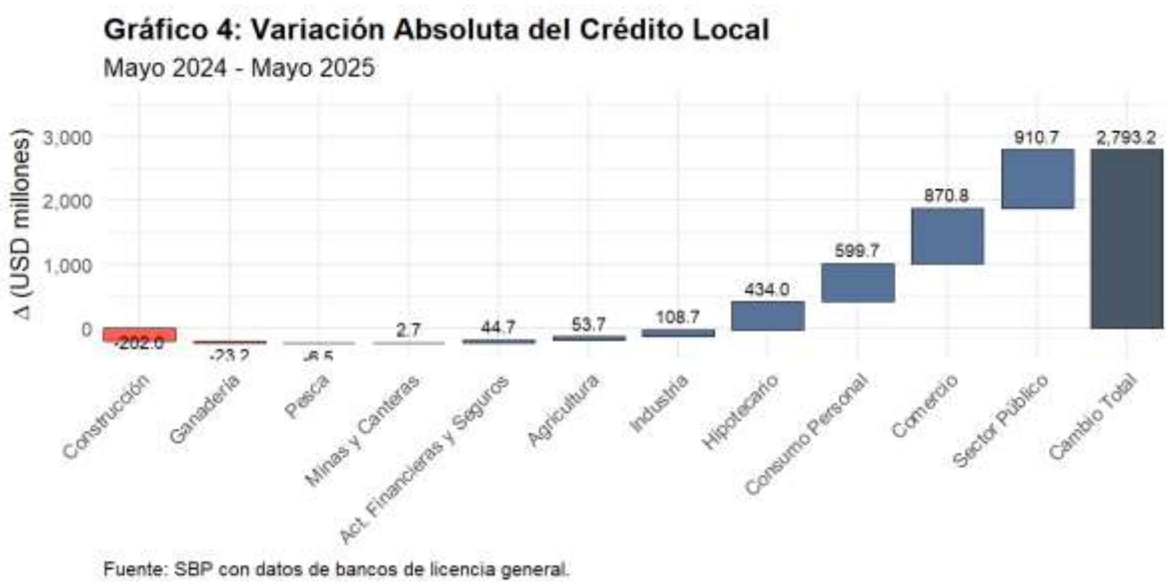
Source: General License banks SBP data

The public sector exhibited particularly dynamic performance, recording year-on-year growth of 60.6%, with an increase of USD 910.7 million.

From a sectoral perspective, agricultural credit led the expansion with 10.0% growth (USD 53.7 million), driven by recovering demand and the positive impact of public support programs for the agricultural sector. In absolute terms, the commercial sector was the main growth driver, with an increase of USD 870.8 million (6.9%), supported by the momentum in both wholesale and retail trade and higher inventory turnover. Personal consumption credit also showed positive performance, growing 4.3% (USD 599.7 million), driven by the use of revolving credit products; the industrial sector rose 2.7% (USD 108.7 million); and residential mortgage credit increased 2.1% (USD 434.0 million).

In contrast, some sectors experienced contractions. Construction declined by 4.1% (USD 202 million), affected by lower execution of private projects; livestock fell 1.8% (USD 23.2 million); and fishing dropped 6.8% (USD 6.5 million). The mining and quarrying segment grew 6.9% (USD 2.7 million), largely due to a low base of comparison.

Graph 4: Absolute variation of domestic credit
May 2024 – May 2025



Source: General License banks SBP data

Regarding new credit, disbursements as of May 2025 totaled USD 11.073 billion, reflecting 13% year-on-year growth. This expansion was led by the commerce (+17%) and industry (+58%) segments, driven by stronger domestic demand and increased operational financing needs.

In contrast, declines were recorded in mortgage disbursements (–13%) and in the agriculture (–21%), construction (–6%), and livestock (–3%) sectors.

Below is a breakdown of the main results by major credit groups within the portfolio:

• Corporate Credit

As of May 2025, corporate credit—excluding the financial sector, consumer loans, and mortgages—grew 3.2% year-on-year, equivalent to USD 1.238 billion. This growth was led by the commerce sector, which recorded an increase of USD 870.8 million (+6.9%), consolidating its role as the primary driver of business credit.

This performance was supported by a favorable macroeconomic environment. The cumulative Monthly Index of Economic Activity (IMAE) through May grew 6.07% despite recent domestic events, while the Colón Free Trade Zone reported a 13.2% increase in the physical volume of trade during the first four months of the year, reflecting a rebound in logistics operations and re-exports. Together, these factors strengthened financing conditions for both domestic and international commerce.

Industrial credit also showed signs of recovery, rising USD 108.7 million (+2.7%), driven by increased manufacturing activity. Agricultural credit grew USD 53.7 million (+10.0%), supported by improved weather conditions, higher demand for productive financing, and public support programs.

Though a smaller segment, mining and quarrying saw growth of USD 2.7 million (+6.9%). In contrast, certain sectors remained sluggish: construction declined by USD 202 million (–4.1%), reflecting delays in new projects; livestock dropped by USD 23.2 million (–1.8%); and fishing fell by USD 6.5 million (–6.8%), hindered by structural challenges and limited market access.

In summary, corporate credit dynamics remain heterogeneous. While commerce, industry, and agriculture drive growth, sectors such as construction, livestock, and fishing continue to face adverse conditions. The resurgence of commerce has been key, supported by the partial recovery of the Panama Canal and the logistical momentum in the Free Trade Zone, which have reinforced many firms' operational and financial foundations.

• Household Credit

As of May 2025, the household credit portfolio reached USD 34.426 billion, representing 3.02% year-on-year growth (USD 1.009 billion). This expansion was primarily driven by consumer credit, which rose 4.32% (USD 600 million), reflecting higher demand for durable goods financing and personal needs.

Within the consumer segment, vehicle financing led the growth with a 9.51% increase (USD 184 million), followed by personal loans, which rose 1.70% (USD 162 million). Credit card balances also saw strong momentum, growing 10.63% (USD 253 million), indicating increased use of revolving credit products.

Meanwhile, residential mortgage lending expanded 2.1% (USD 409 million), reflecting sustained demand for housing finance, though with signs of moderation compared to previous quarters.

Given their revolving and short-term nature, consumer credit products are particularly sensitive to tighter financial conditions, increasing their exposure in periods of lower economic momentum. As such, their evolution is closely monitored within the prudential frameworks for credit risk management.

Table 6: Household credit – National Banking System
(in million USD)

Credit	May-24	May-25	Δ interanual USD	Δ relativa %
Consumer credit	**13,874**	**14,474**	**600**	**4.32%**
Auto	1,934	2,118	184	9.51%
Personal Loan	9,557	9,720	162	1.70%
Card	2,383	2,636	253	10.63%
Mortgage (housing)	**19,543**	**19,952**	**409**	**2.09%**
TOTAL HOUSING CREDIT	**33,417**	**34,426**	**1,009**	**3.02%**

Regarding credit risk, as of May 2025, the non-performing loan (NPL) ratio stood at 2.27% of total loans, improving by 15 basis points from 2.42% one year earlier. Similarly, the delinquency ratio fell slightly from 1.62% to 1.58%, indicating a moderate containment of arrears.

However, the provisioning coverage ratio on non-performing loans was 95.42%, down from 102.20% in May 2024, suggesting a slight reduction in accounting coverage levels.

Going forward, preserving credit quality will require stricter portfolio management, especially in sectors more exposed to structural or cyclical risks. A conservative approach to credit origination—both for households and businesses—will be key to maintaining the banking system's stability amid an external environment marked by high volatility.

While loan origination and portfolio quality indicators show year-on-year improvement, it is important to consider that recent performance may be influenced by temporary factors with potential medium-term effects, such as operational disruptions caused by the protest events that occurred in the second quarter of 2025. Although the system has maintained adequate asset quality levels, there remains a risk of lagged impacts on the portfolio, particularly in regions or sectors more exposed to logistical disruptions or sudden income declines. For this reason, the Superintendency of Banks of Panama will continue to monitor performance related to these events.

In this context, it will be essential to strengthen early warning systems, implement preventive management measures, and maintain provisions aligned with emerging risks. At the same time, intensive supervision—based on adverse scenario analysis and regular stress testing—will help reinforce investor and depositor confidence, safeguarding the system's solvency.

Finally, a stable macroeconomic environment, along with prudent credit policies and effective risk governance, will be crucial to sustaining the resilience of the financial system and supporting sustainable growth, even amid a global landscape marked by uncertainty.

G. Deposits

- **International Banking Center (IBC)**

As of the end of May 2025, the International Banking Center (CBI) recorded a total deposit balance of USD 112,720.5 million, reflecting a year-over-year expansion of 6.3% (USD +6,685.6 million). This growth was driven by an increase in both domestic (+3.5%) and foreign (+10.9%) deposits, the latter accounting for approximately 66% of the total variation. This dynamic consolidates the structural role of external funding within the liability profile of the CBI.

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

Accounts	2024 May	2025 May	Var. May 25 / May 24 Absolute	%
TOTAL DEPOSITS	**106,034.9**	**112,720.5**	**6,685.6**	**6.3%**
Domestic	**65,501.4**	**67,784.7**	**2,283.3**	**3.5%**
Government	13,246.5	12,031.0	-1,215.4	-9.2%
Customer	49,010.9	52,681.7	3,670.8	7.5%
Banks	3,244.0	3,071.9	-172.1	-5.3%
Foreign	**40,533.5**	**44,935.8**	**4,402.3**	**10.9%**
Government	334.1	244.2	-89.9	-26.9%
Customers	30,936.1	35,065.4	4,129.3	13.3%
Banks	9,263.2	9,626.1	362.9	3.9%

Source: General and International License banks.

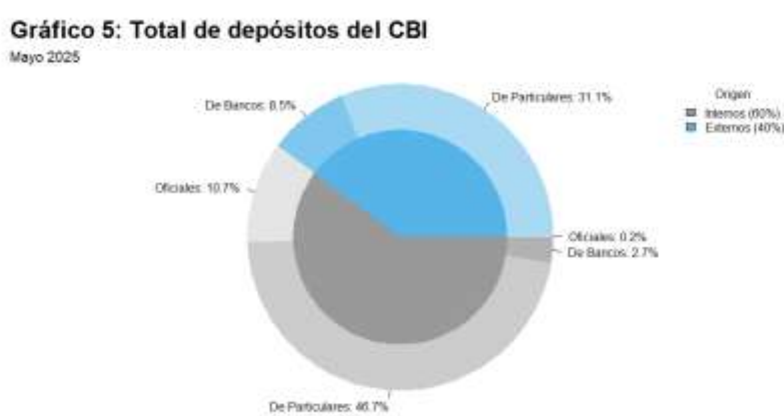
Domestic deposits reached USD 67,784.7 million, primarily driven by the personal segment, which grew by 7.5% (USD +3,670.8 million) to reach USD 52,681.7 million. This expansion suggests a stronger preference for savings instruments in an environment of relatively stable interest rates and sustained confidence in the local banking sector. In contrast, official deposits fell by 9.2% (USD –1,215.4 million). Local interbank deposits also declined by 5.3% (USD –172.1 million), possibly linked to lower interbank liquidity demand or balance sheet optimization by institutions.

Foreign deposits totaled USD 44,935.8 million in May 2025, with a year-over-year increase of 10.9% (USD +4,402.3 million). This performance was mainly driven by non-resident individual deposits, which grew by 13.3% (USD +4,129.3 million) to reach USD 35,065.4 million, reinforcing Panama’s position as a competitive regional financial center. In contrast, foreign official deposits decreased by 26.9% (USD –89.9 million), while interbank deposits—mainly from correspondent and foreign counterpart banks—posted a moderate increase of 3.9% (USD +362.9 million), reflecting greater activity in treasury operations and short-term liquidity management.

Currently, external funding accounts for approximately 40% of total deposits, underscoring its structural importance in the CBI’s business model. This exposure implies that banks must maintain prudential strategies to mitigate risks associated with potential disruptions in international liquidity markets or exogenous shocks affecting funding flows.

From a financial stability perspective, the growth of the deposit base in May 2025 reflects continued confidence in Panamanian banking by both local and foreign depositors. However, the international environment remains marked by volatility, regulatory adjustments, and monetary normalization in advanced economies. In this context, preserving the resilience of the financial system will require deepening institutional credibility, strengthening supervisory capacities, and consolidating regulatory frameworks to appropriately manage maturity profiles, funding costs, and counterparty concentration.

Graph 5: Total Deposits of the IBC
May 2025



Source: General license banks.

- **National Banking System (NBS)**

As of the end of May 2025, Panama's National Banking System (SBN) reported total deposits of USD 98,495.0 million, representing a year-over-year expansion of 5.2% (USD +4,828.3 million). This performance confirms the continuation of a moderate growth path, aligned with the evolution of the CBI, and reflects the functional stability of the system despite a more restrictive global financial environment and a still challenging regional macroeconomic context.

Domestic deposits reached USD 67,616.1 million, growing by 3.4% year-over-year (USD +2,224.0 million). This increase was mainly driven by personal deposits, which rose 7.5% (USD +3,670.8 million) to reach USD 52,681.7 million, suggesting sustained demand for traditional savings instruments and a positive perception of local banks as a store of value. In contrast, official deposits declined by 9.2% (USD –1,215.4 million), while deposits from local banks contracted by 7.4% (USD –231.4 million), indicating reduced interbank liquidity holdings.

In the external segment, deposits totaled USD 30,878.9 million, growing by 9.2% year-over-year (USD +2,604.3 million). This result was led by non-resident individual deposits, which increased by 12.0% (USD +2,318.7 million) to USD 21,561.9 million, reinforcing Panama's reputation as a reliable regional destination for international savings. Foreign bank deposits rose by 4.1% (USD +362.7 million), while external official deposits fell by 30.0% (USD –77.0 million), possibly reflecting lower availability of public international funds or a strategic reallocation of resources.

The liability structure of Panama's banking system remains relatively diversified, with external deposits currently accounting for 31.3% of the total. Although this share has remained relatively stable, its persistence implies significant exposure to global liquidity conditions. This feature is particularly relevant for Panama, given the absence of a central bank with lender-of-last-resort functions. Therefore, prudent maturity management, stronger relationships with international counterparties, and the accumulation of liquid buffers remain strategic priorities for mitigating vulnerabilities.

From a financial stability standpoint, deposit performance in May 2025 reinforces confidence in the system and validates the resilience of Panama's banking model. However, the increasing sensitivity of external funding to global volatility highlights the need to strengthen the regulatory framework, enhance preventive supervisory capabilities, and promote further diversification of funding sources, both in terms of maturity and counterparty profile

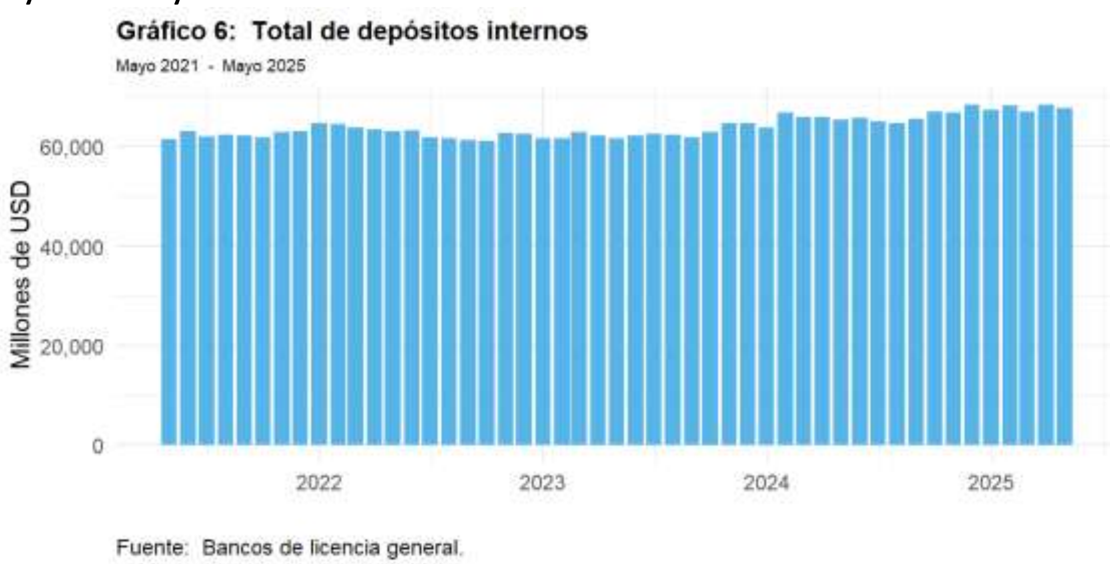
Table 7: National Banking System
Total Deposits
(In millions of USD)

Accounts	2024 May	2025 May	Var. May. 25 / May. 24 Absolute	%
TOTAL DEPOSITS	**93,666.7**	**98,495.0**	**4,828.3**	**5.2%**
Domestic	**65,392.1**	**67,616.1**	**2,224.0**	**3.4%**
Government	13,246.5	12,031.0	-1,215.4	-9.2%
Customers	49,010.9	52,681.7	3,670.8	7.5%
Banks	3,134.7	2,903.3	-231.4	-7.4%
Foreign	**28,274.6**	**30,878.9**	**2,604.3**	**9.2%**
Government	256.3	179.3	-77.0	-30.0%
Customer	19,243.3	21,561.9	2,318.7	12.0%
Banks	8,775.0	9,137.7	362.7	4.1%

Source: General License banks.

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

Graph 6: Total domestic Deposits
May 2021 – May 2025



Source:
General and International license banks.

Source: General License banks.

The recent evolution of deposit structure confirms the soundness of Panama's banking system in terms of funding. In May 2025, domestic deposits accounted for 60.1% of the total, reflecting a sustained preference among residents for local banking as a safe store of liquidity and savings. This composition supports a more stable funding profile and reduces the system's vulnerability to adverse conditions in international capital markets.

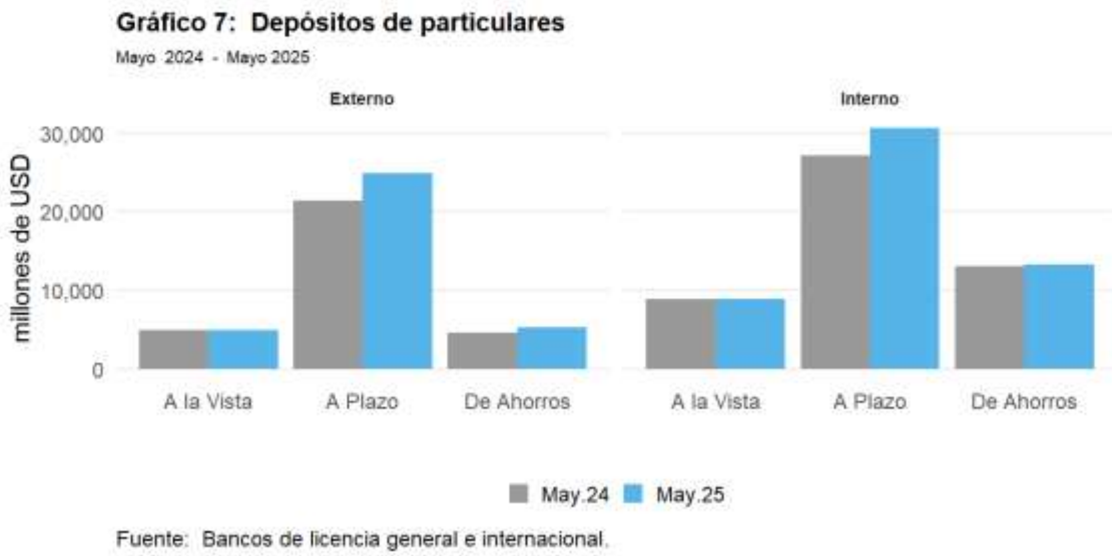
Term deposits continue to gain importance as the main vehicle for deposit-taking. On a year-over-year basis, they grew by 12.8% in the domestic segment (USD +3,465.8 million) and by 16.3% in the external segment (USD +3,494.1 million), positioning them as a cornerstone of funding stability. This trend improves the predictability of the maturity profile and strengthens structural liquidity. However, the higher cost of these instruments puts pressure on intermediation margins, especially if not accompanied by an efficient allocation of credit toward risk-adjusted portfolios with adequate returns.

Demand deposits showed more moderate behavior. In the domestic segment, a slight decline of 0.2% (USD –15.0 million) was observed, possibly due to a shift toward higher-yield instruments. In contrast, the external segment showed a marginal increase of 0.6% (USD +30.4 million), reflecting stable demand for liquid instruments for transactional or corporate treasury purposes.

Meanwhile, savings deposits maintained a positive trajectory. The domestic segment grew by 1.7% year-over-year (USD +220.0 million), while the external segment expanded by 13.1% (USD +604.9 million), suggesting increasing diversification of funding toward lower-cost sources, contributing to operational resilience amid potential pressures on funding spreads.

The current combination of term, savings, and demand deposits allows the banking system to maintain a relatively balanced funding structure. In the current environment of global monetary normalization, this mix mitigates maturity mismatch risks and enables proactive management of the marginal cost of liabilities. Going forward, efficient management of the deposit structure—focusing on maturity staggering and counterparty diversification—will be key to sustaining structural liquidity, preserving risk-adjusted profitability, and reinforcing financial system stability.

Graph 7: Customer Deposits
May 2024 – May 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 resources with exposures to international interest rates, requiring active maturity management to optimize marginal funding costs and mitigate concentration and liquidity risks. Looking ahead, close monitoring of international capital flows and timely adjustments in funding strategies in response to interest rate fluctuations will be essential. This proactive approach will be key to preserving the strength, stability, and competitiveness of the banking sector over the medium and long term.

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