



Banking Activity Report

June 2025

Table of Contents

A. Liquidity.....	4
B. Solvency	5
C. Income statement	6
D. Profitability Indicators	8
E. Balance sheet	9
F. Credit.....	11
G. Deposits.....	15
H. Glossary	20

Executive Summary

At the close of the first half of 2025, the Panamanian banking system maintains a solid financial position, supported by adequate risk management, prudential solvency and liquidity levels, and positive operating performance in a challenging international environment. Although signs of moderation are observed in the International Banking Center's profitability indicators, the expansion of the loan portfolio and stable funding consolidate the system's resilience.

- I. **Liquidity and Solvency:** The banking system maintains robust liquidity indicators, with an average liquidity ratio of 54.49% and comfortable compliance with the Liquidity Coverage Ratio (LCR), both above the regulatory threshold. The most recent Capital Adequacy Ratio (CAR) of the International Banking Center (IBC) stands at 15.71%, well above the minimum required of 8%, ensuring sufficient cushion to absorb potential external or credit shocks.
- II. **Balance Sheet Structure:** The International Banking Center (IBC) recorded year-over-year growth of 6.7% in its net assets, reaching USD 158,606.9 million. This expansion was primarily driven by the dynamism of the net loan portfolio, which increased by 8.7%, consolidating its position as the main driver of growth. Liability diversification, particularly funding through deposits (+6.7%) and bonds (+13.2%), strengthens the system's structural stability, while investments in securities also contributed positively to the growth of earning assets.
- III. **Profitability and Operating Results:** IBC's earnings reached USD 1,452.8 million, reflecting a year-over-year decrease of 10.4%. This variation is primarily attributable to the compression of the net interest income, a higher level of operating expenses, and a drop in dividend income. This moderation underscores the system's ability to maintain positive results despite pressures. In contrast, the National Banking System (SBN) managed to maintain its profitability with a net income of USD 1.3 billion (+0.3%), boosted by restrained expense management.
- IV. **Credit Activity:** SBN's gross local portfolio amounted to USD 64,773.6 million (+3.0%), with notable strength in the trade (+7.9%) and personal consumption (+4.2%) sectors. However, sectors such as construction (-7.4%), fishing (-7.7%), and livestock (-1.0%) experienced contractions. Portfolio quality remains under control, with a 90-day arrears ratio (non-performing loans) of 2.23%, a lower rate than the same period last year. However, provision coverage for nonperforming loans decreased to 94.91%, partly due to the write-offs corresponding to this period. It is important to consider that credit performance could be affected by lagged impacts of the events and shutdowns that occurred in the country, which we will be monitoring in the coming months.
- V. **Deposits and Funding Composition:** Deposits continue to be the main source of funding, with a total balance in the CBI of USD 113,163.7 million (+6.7%). Growth was significantly driven by the external component, which expanded by 13.5%, especially deposits from non-resident individuals (+17.8%). In terms of product type, the increase in term deposits stands out, both

in the domestic (+13.2%) and foreign (+19.5%) segments. This, while reinforcing funding stability, also puts pressure on financial costs.

- VI. **Conclusion:** The Panamanian banking system maintains a resilient position in the face of an external environment of greater uncertainty and pressure on profit margins. Financial results confirm the entities' ability to generate profits, although with less traction than in 2024. In this context, it is a priority to strengthen operational efficiency, optimize the funding structure to mitigate rising costs, and deepen revenue diversification, while preserving asset quality and strong prudential standards. The Superintendency of Banks will maintain a risk-based supervisory approach, with special attention to macro financial determinants and the financial performance of the CBI, in order to anticipate vulnerabilities and preserve its financial stability.

A. Liquidity

At the end of June 2025, the Panamanian banking sector demonstrated a solid operating position, evidenced by an average liquidity ratio of 54.49%, a figure that exceeds the minimums established by regulation.

The system's banks 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 maintain careful management.

Currently, the banking system comfortably meets the Liquidity Coverage Ratio (LCR) requirements, with an average above the regulated level. This level of compliance strengthens the sector's ability to cope with potential financial market tensions. 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 in developed countries, 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 – June 2025



Source: General license banks.

SBN: Sistema Bancario Nacional
BPP: Banca Privada Panameña
BPE: Banca Privada Extranjera
BO: Banca Oficial

B. Solvency

The Capital Adequacy Ratio (CAR) of banks operating in Panama's International Banking Centre (IBC) 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 Chart 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 CBI 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 – 2025



Fuente: Bancos de licencia general e internacional.

Source: General and international license banks.

C. Income statement

○ International Banking Center

At the end of June 2025, the International Banking Center (IBC) recorded a cumulative net income of USD 1,452.8 million, representing a year-over-year decrease of 10.4% (–USD 168.6 million). This variation reflects a moderation in earnings, primarily influenced by a lower net interest margin, higher operating expenses, and a drop in dividend income. However, the system maintains a consistently positive level of profitability.

Interest income totaled USD 4,496.7 million (+2.9%), driven by an increase in income from loans (+5.2%) and investments (+6.3%). In contrast, declines were observed in income from deposits (–18.2%), leasing (–21.8%), and other items (–6.4%).

Operating costs amounted to USD 2,807.0 million (+7.3%), due to an increase in interest paid (+7.2%) and commissions (+7.5%). As a result, net interest income decreased 3.6%, reaching USD 1,689.7 million.

It is worth noting that, although CBI's interest income increased 2.9%, this growth was offset by a 7.2% increase in interest costs, reflecting the effect of a global environment of high interest rates. The acceleration in the cost of liabilities, particularly term deposits and bonds, has outpaced the revaluation of productive assets, such as loans and investments. This compression of the net interest margin explains the 3.6% reduction in this indicator and constitutes an element that requires monitoring in the short and medium term.

Non-interest income remained stable at USD 1,776.4 million. Within this group, the increases in service fees (+9.4%) and foreign exchange transactions (+35.3%) stood out, while dividend income registered a significant drop of 17.0%.

Net operating income decreased 1.8% to USD 3,466.0 million, while general expenses grew 5.7% (USD 1,745.8 million), reflecting increases in general (+9.8%) and administrative (+4.9%) expenses. As a result, profit before provisions stood at USD 1,720.2 million (–8.4%).

Provisions for portfolio impairment (bad accounts) increased 4.2% to USD 267.4 million. Consequently, net income for the period stood at USD 1,452.8 million, consolidating the aforementioned year-over-year decline of 10.4%.

The sustainability of banking profitability will depend on the system's ability to optimize its operating efficiency, moderate the growth of structural expenses, and strengthen revenue sources less dependent on the financial cycle. Prudent risk management, using the expected loss approach (IFRS), along with an active funding strategy in the face of high real rates and competition for liquidity, will be critical factors in preserving margins and the system's solidity in the second half of the year.

Table 1: National Banking System
Cumulative Income Statement
(In millions of USD)

ACCOUNTS	2024	2025	Var. June 25 / June 24	
	June	June	Absolute	%
Net interest income	1,753.5	1,689.7	-63.8	-3.6%
Other income	1,775.8	1,776.4	0.6	0.0%
Operating income	3,529.3	3,466.0	-63.2	-1.8%
General expenses	1,651.3	1,745.8	94.6	5.7%
Profit before provisions	1,878.0	1,720.2	-157.8	-8.4%
Bad debt	256.5	267.3	10.8	4.2%
Profit for the period	1,621.5	1,452.8	-168.6	-10.4%

Source: General and International License banks.

○ National Banking System

At the end of June 2025, the National Banking System (SBN)² reported accumulated net income of USD 1.3 billion, reflecting a year-over-year increase of 0.3%, equivalent to USD 3.4 million. This result confirms the stability of banking profitability in a context characterized by tight margins and higher funding costs.

Interest income grew 3.0%, reaching USD 4,058.1 million, driven by higher income from loans (+4.7%) and investments (+6.3%). However, there were declines in income from deposits (-16.5%), leasing (-4.3%), and other items (-13.4%), reflecting a less favorable environment for liquid assets.

Operating costs increased 6.9%, to USD 2,540.1 million, mainly due to higher interest paid and fees on deposits. As a result, net interest income decreased 2.9% to USD 1,518.1 million.

Non-interest income remained stable at USD 1,542.2 million (+0.4%). Increases were seen in commissions (+10.2%), foreign exchange transactions (+44.4%), and dividends (+9.6%), although these were offset by an 18.9% drop in other income.

² National Banking System: Banks licensed and regulated by the Superintendency of Banks, which operate in national and international financial intermediation.

Net operating income decreased 1.3% to USD 3,060.2 million, while general expenses decreased 2.4%, driven by a significant drop in other expenses (–33.4%), which partially offset the increase in general and administrative expenses.

Earnings before provisions were USD 1,549.4 million (–0.2%), and loan impairment provisions decreased 2.6% to USD 249.4 million, reflecting controlled exposure to credit risk.

The system's profitability remains resilient, supported by loan portfolio growth, revenue diversification, and an adjusted expense structure. Going forward, it will be key to strengthen risk management, optimize operational efficiency, and ensure competitive funding in an environment of high real rates and increased competition for liquidity.

Table 2: National Banking System
Cumulative Income Statement
(In millions of USD)

ACCOUNTS	2024	2025	Var. June 25 / June 24	
	June	June	Absolute	%
Net interest income	1,563.9	1,518.0	-45.8	-2.9%
Other income	1,536.2	1,542.2	6.0	0.4%
Operating income	3,100.1	3,060.2	-39.9	-1.3%
General expenses	1,547.3	1,510.8	-36.5	-2.4%
Profit before provisions	1,552.8	1,549.4	-3.3	-0.2%
Bad debt	256.2	249.4	-6.7	-2.6%
Profit for the period	1,296.6	1,300.0	3.4	0.3%

Source: General License banks.

D. Profitability indicators

At the end of June 2025, the International Banking Center's key profitability indicators continued to show signs of moderation, in line with an environment of tighter margins and higher funding costs.

Return on Assets (ROA) stood at 1.89%, down from 2.22% in the same period of 2024, representing a drop of 33 basis points. Similarly, Return on Equity (ROE) fell to 16.17%, compared to 18.37% the previous year (-220 basis points). Meanwhile, Net Interest Income (NII) decreased from 2.82% to 2.60%, reflecting a further compression of 22 basis points.

Despite this adjustment, many entities have managed to maintain acceptable levels of profitability through the diversification of non-interest income and greater operating efficiency. However, the contraction of the MIN reaffirms the need to optimize asset and liability management, implement more dynamic pricing strategies and accelerate digital transformation to contain the growth of structural spending and preserve the competitiveness of the system.

E. Balance sheet

○ International Banking Center (IBC)

At the end of June 2025, Panama's International Banking Center (IBC) recorded net assets of USD 158,606.9 million, representing a year-over-year increase of USD 9,960.2 million (+6.70%). This performance reflects the continuation of a strategy aimed at expanding productive assets and optimizing balance sheet utilization, amidst regional competition for liquidity and more demanding international financial conditions. The observed performance suggests an efficient allocation of resources and prudent balance sheet management, contributing to maintaining solid solvency metrics and leverage levels consistent with a moderate risk profile.

Table 3: International Banking Center
Balance Sheet
(In millions of USD)

ACCOUNTS	2024	2025	Var. June. 25 / June. 24	
	June	June	Absolute	%
Net Liquid Assets	17,105.90	17,356.40	250.5	1.50%
Net Credit Portfolio	91,717.60	99,712.80	7,995.20	8.70%
Domestic	60,870.80	62,892.20	2,021.40	3.30%
Foreign	30,846.80	36,820.70	5,973.80	19.40%
Net Investments in Securities	32,485.90	33,571.50	1,085.60	3.30%
Other Assets	<u>7,337.30</u>	<u>7,966.10</u>	<u>628.8</u>	<u>8.60%</u>
Total Net Assets	<u>148,646.70</u>	<u>158,606.90</u>	<u>9,960.20</u>	<u>6.70%</u>
Deposits	106,019.20	113,163.70	7,144.50	6.70%
Domestic	65,867.20	67,594.60	1,727.50	2.60%
Foreign	40,152.00	45,569.10	5,417.10	13.50%
Obligations	19,999.40	22,635.40	2,636.10	13.20%
Other Liabilities	4,598.30	4,898.10	299.8	6.50%
Capital	<u>18,029.90</u>	<u>17,909.70</u>	<u>-120.2</u>	<u>-0.70%</u>
Liabilities And Capital, Total	<u>148,646.70</u>	<u>158,606.90</u>	<u>9,960.20</u>	<u>6.70%</u>

Source: General and International License banks.

In terms of liquidity, net liquid assets stood at USD 17,356.4 million, representing a year-over-year increase of USD 250.5 million (+1.46%). This growth is due to a balance sheet strategy that seeks to maintain adequate liquidity levels without sacrificing profitability, preserving minimum regulatory coverage. The internal and external composition of these assets remained stable, prioritizing high-quality, low-risk instruments.

The net loan portfolio consolidated its position as the main driver of asset growth, increasing by USD 7,995.2 million (+8.72%), reaching USD 99,712.8 million. Growth was led by the external

segment, with an increase of USD 5,973.8 million (+19.37%), while the domestic portfolio registered a more moderate expansion of USD 2,021.4 million (+3.32%), consistent with the domestic economic performance. This evolution is in line with greater dynamism in intermediation toward regional markets and greater selectivity in local credit origination.

The net investment portfolio in securities amounted to USD 33,571.5 million, registering a year-over-year increase of USD 1,085.6 million (+3.34%). This expansion reflects a prudent reconfiguration of treasury positions, with a bias toward liquid, low-risk instruments in a still-volatile environment. Meanwhile, other assets grew 8.57%, totaling USD 7,966.1 million, driven primarily by accounts receivable, tax assets, and operating assets.

On the liabilities side, deposits consolidated their position as the main source of funding, reaching USD 113,163.7 million (+6.74%). Within this category, domestic deposits grew 2.62% (USD +1,727.5 million), while external deposits expanded 13.49% (USD +5,417.1 million), reaffirming the Bank's attractiveness as a regional destination for capital, particularly from corporate and equity sources.

Financial obligations totaled USD 22,635.4 million (+13.18%), in line with a strategy of diversifying funding sources, especially through external wholesale debt. In a global context characterized by high interest rates, the 13.2% increase in the obligations category implies greater sensitivity to interest rate risk. A potential increase in wholesale funding costs could put pressure on the Banking Center's intermediation margins, particularly if the interest rate structure of its asset portfolio is not actively managed.

Finally, net worth stood at USD 17,909.7 million, registering a slight contraction of USD 120.2 million (-0.67%), due to reclassifications by regional financial groups in their economic assets and valuation adjustments in some entities. However, solvency indicators remain within prudential ranges and consistent with aggregate risk exposure.

Overall, the June 2025 results confirm the structural soundness of the IBC and its ability to adapt in a challenging global financial context. The balanced growth of earning assets, along with a diversified funding structure and a robust capital framework, maintains a stable outlook for the system, although there remains a need to strengthen proactive risk management and closely monitor the external determinants of liquidity and credit quality.

In conclusion, the International Banking Centre (IBC) demonstrated solid performance during the last half of the year, supported by active management of its main balance sheet lines. The evolution for the second half of the year will be conditioned by its capacity to: (1) adequately manage the risks derived from greater external exposure, (2) maintain competitive funding conditions in a more restrictive international context, and (3) preserve the quality of credit assets in the face of possible signs of economic slowdown in the region.

F. Credit

At the close of the first half of 2025, the National Banking System's gross local loan portfolio reached USD 64,773.6 million, registering a year-over-year growth of 3.0% (USD 1,888.5 million). This performance, although positive, reflects a slowdown compared to the 4.5% recorded in May, which points to a loss of traction in lending dynamics, in a context where some sectors are beginning to show signs of cooling, possibly in line with recent events in different regions of the country.

Table 4: National Banking System
Domestic Credit
(In millions of USD)

Sector	2024 June	2025 June	Δ absolute USD	Δ relative %
TOTAL	62,885.2	64,773.6	1,888.5	3.0%
Public sector	2,166.6	2,369.4	202.8	9.4%
Private sector	60,718.6	62,404.3	1,685.7	2.8%
Financial and insurance act.	2,130.9	2,122.7	- 8.1	-0.4%
Agriculture	543.3	602.0	58.8	10.8%
Livestock	1,304.8	1,292.1	- 12.7	-1.0%
Fishing	94.0	86.8	- 7.2	-7.7%
Mining and Quarrying	56.6	40.7	- 15.9	-28.0%
Commerce	12,704.3	13,702.9	998.6	7.9%
Industry	4,017.5	4,112.3	94.8	2.4%
Mortgage	20,938.1	21,293.6	355.5	1.7%
Construction	4,980.9	4,614.2	- 366.7	-7.4%
Personal Consumption	13,948.3	14,536.8	588.5	4.2%

Source: General License banks

The public sector maintained a solid pace of expansion, with year-over-year growth of 9.4% (USD 202.8 million), reflecting increased execution of projects financed by state-owned banks.

From a sector perspective, agricultural credit led relative growth with a 10.8% increase (USD 58.8 million), driven by public programs and improved market conditions. In absolute terms, trade accounted for most of the growth, with an increase of USD 998.6 million (7.9%), supported by the reactivation of consumption and inventory turnover.

Also, positive performances were observed in personal consumption credit (USD 588.5 million; +4.2%), industrial credit (USD 94.8 million; +2.4%), and mortgage credit (USD 355.5 million; +1.7%).

In contrast, the construction sector's portfolio declined 7.4% (USD -USD 366.7 million), affected by lower execution of private projects. Similarly, declines were observed in livestock (-1.0%;

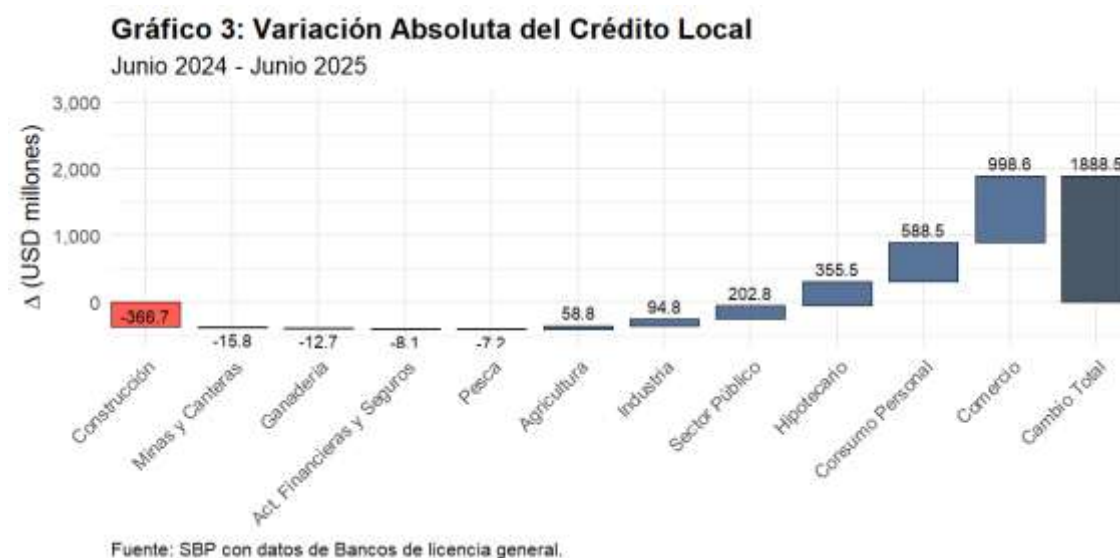
USD -12.7 million), fishing (-7.7%; USD -7.2 million), and mining and quarrying (-28.0%; USD -15.9 million), reflecting persistent weaknesses in these sectors.

Additionally, credit to financial and insurance activities remained virtually stable (-0.4%), which could indicate a low liquidity turnover in the non-banking financial sector.

In terms of concentration, the four most relevant sectors (mortgage, personal consumption, commerce, and industry) account for approximately 82% of the total portfolio, reinforcing the importance of monitoring their evolution in the face of any change in conditions.

Graph 3: Absolute variation of domestic credit

June 2024 – June 2025



Source: General License banks SBP data

• Corporate Credit

At the end of June 2025, corporate credit (excluding consumer and financial sectors) registered year-over-year growth of 3.0%, equivalent to USD 740.4 million, reaching a total balance of USD 25,772.7 million.

The dynamism was led by the trade sector, which increased its portfolio by USD 998.6 million (+7.9%), consolidating its position as the main driver of business credit. This was followed by agriculture, with an increase of USD 58.8 million (+10.8%), favored by positive weather conditions and productive support programs; and industry, which grew USD 94.8 million (+2.4%), reflecting a progressive recovery in manufacturing activity.

In contrast, several sectors experienced contractions: construction fell USD 366.7 million (-7.4%), influenced by the slow execution of new projects and the impact of prolonged strikes; mining and quarrying decreased USD 15.9 million (-28.0%); While fishing and livestock

registered reductions of USD 7.2 million (–7.7%) and USD 12.7 million (–1.0%), respectively, amid lower demand and adverse structural conditions.

These results confirm a heterogeneous business credit dynamic, with greater concentration in sectors focused on trade and industry, while traditional productive activities continue to face structural and cyclical challenges that limit their capacity to absorb financing.

• Household Credit

At the end of June 2025, the household loan portfolio reached USD 34,508 million, representing a year-over-year growth of 2.8% (+USD 953 million). This expansion was primarily driven by consumer credit, which increased 4.2% (+USD 588 million), reflecting active demand for short-term financing for durable goods and personal expenses.

Table 5: Household credit
National Banking System
(in million USD)

Credit	June-24	June-25	Δ interannual USD	Δ relative %
Consumer credit	13,948	14,537	588	4.2%
Auto	1,945	2,129	185	9.5%
Personal Loan	9,577	9,755	178	1.9%
Card	2,427	2,652	226	9.3%
Mortgage (housing)	19,607	19,972	365	1.9%
TOTAL HOUSING CREDIT	33,555	34,508	953	2.8%

Source: General License banks

Within the consumer segment, vehicle loans led the growth, with a 9.5% increase (+USD 185 million), followed by credit cards, which grew 9.3% (+USD 226 million), reflecting greater use of revolving lines. Personal loans, meanwhile, showed a more moderate increase of 1.9% (+USD 178 million).

Residential mortgage lending registered a year-over-year expansion of 1.9% (+USD 365 million), in line with stable demand for home financing, albeit in the context of less expansive financial conditions and a real estate supply in the process of adjustment.

Given their shorter maturity profile and revolving nature, consumer products continue to be more sensitive to the macro financial environment. Therefore, their evolution constitutes a priority focus for risk monitoring within prudential credit management frameworks.

- **New Loans:**

At the end of the first half of the year, the National Banking System (NBS) reflected a positive flow of new disbursements, highlighting a slight increase of USD 466 million, a 4% increase, despite the fact that at this time the country was facing work stoppages in some sectors, which negatively affected commercial activity to some extent, mainly in the area of small businesses. This performance highlights the flows disbursed to public infrastructure activities financed by banks, while loans disbursed to the private sector remained virtually unchanged.

At the end of June, the NBS accumulated total new financing of USD 13.058 billion, with foreign private banks registering the best performance, posting a 25% growth.

The sectors that sustained the growth were the commercial sector (including the services sector), which grew by USD 800 million, specifically loans granted to retail trade. Furthermore, another sector that showed positive variations was public works, which were financed by private banks. Most other sectors did not show growth, which was predictable given the current economic situation and the behavior of exogenous variables.

Table 6: New credits granted by the SBN
(In millions of USD)

Activities	2024		2025		Var. June 25/24		Var. Jan-Jun 25/24	
	June	Jan-Jun	June	Jan-Jun	Abs.	%	Abs.	%
Public sector	751.0	982.0	27.0	1417.0	-724	-96%	435.0	44.0%
Private sector	2,030.0	11,610.0	1,958.0	11,641.0	-72	-4%	31.0	0.0%
Financial companies	100.0	961.0	215.0	803.0	116	116%	158.0	-16.0%
Agriculture (including forest)	19.0	167.0	22.0	138.0	2	12%	29.0	-17.0%
Livestock	45.0	277.0	56.0	281.0	11	24%	4.0	2.0%
Fishing	3.0	20.0	1.0	20.0	-1	-52%	-	1.0%
Mines and quarries	1.0	2.0	-	6.0	0	-29%	4.0	160.0%
Commerce (including services)	928.0	5,193.0	1,013.0	5,993.0	86	9%	800.0	15.0%
Industry	337.0	1,356.0	130.0	1,092.0	-207	-61%	264.0	-19.0%
Mortgage	186.0	1,021.0	117.0	840.9	-69	-37%	181.0	-18.0%
Construction	181.0	1,070.0	152.0	987.0	-29	-16%	83.0	-8.0%
Personal consumption	230.0	1,543.9	251.0	1,481.0	21	9%	61.0	-4.0%
Total	2,781.0	12,592.0	1985.0	13,058.0	-796	-29%	466.0	4.0%

Source: General License banks SBP data

Sectors that showed lower volumes are electricity generation activities, which are classified within industrial activity in the credit summary sector, and the mortgage sector, where activity has been declining since last year for well-known reasons, such as the renewal of the preferential interest rate law and less robust economic activity. Sectors that showed lower

volumes are electricity generation activities, which are classified within industrial activity in the credit summary sector, and the mortgage sector, where activity has been declining since last year for well-known reasons, such as the renewal of the preferential interest rate law and less robust economic activity.

o Credit Risk:

At the end of June 2025, non-performing loans represented 2.23% of the total, improving by 9 basis points compared to the 2.32% observed a year earlier. Similarly, the non-performing loan ratio fell to 1.46%, an improvement of 17 basis points compared to June 2024, reflecting moderate containment of arrears.

In contrast, the ratio of accounting provisions to non-performing loans fell to 94.91%, from 103.83% observed a year earlier. This reduction indicates a lower coverage capacity. This trend is accompanied by an increase in the written-off portfolio so far this year.

Looking ahead to the second half of the year, preserving portfolio quality will require more rigorous credit risk management, particularly in sectors with high structural exposure or cyclical sensitivity. In this environment, it will be key to maintain a conservative approach to credit origination, both for households and businesses, reinforcing evaluation and monitoring criteria.

Furthermore, it will be essential to strengthen early warning mechanisms, implement preventive measures, and maintain provisioning levels aligned with evolving risk. Intensive supervision, based on adverse scenarios and periodic stress tests, will help preserve investor and depositor confidence and protect the system's solvency.

Finally, a stable macroeconomic environment, complemented by consistent prudential policies and effective risk governance, will be crucial to sustaining the resilience of the financial system and supporting sustainable growth, even in an international context characterized by high volatility.

G. Deposits

- **International Banking Center (IBC)**

At the end of June 2025, the International Banking Center (IBC) recorded a total deposit balance of USD 113,163.7 million, representing a year-over-year expansion of 6.7% (+USD 7,144.5 million). This growth was mainly driven by the external segment, which contributed more than 75.8% of the net increase and reaffirms the structural role of international funding in the Panamanian banking model. In both segments, sustained growth in individual deposits stood out, with increases of 7.7% in local deposits and 17.8% in non-resident deposits. This

performance is positive, as it strengthens the system's structural funding base and reflects persistent confidence, both among households and businesses, both local and foreign, in the soundness, stability, and reputation of the Panamanian banking system.

Table 7: International Banking Center
Total Deposits
(In millions of USD)

Accounts	2024 June	2025 June	Var. June 25 / June 24	
			Absolute	%
TOTAL DEPOSITS	106,019.2	113,163.7	7,144.5	6.7%
Domestic	65,867.2	67,594.6	1,727.5	2.6%
Government	13,554.2	11,402.2	-2,152.1	-15.9%
Customer	49,114.8	52,888.5	3,773.8	7.7%
Banks	3,198.2	3,303.9	105.8	3.3%
Foreign	40,152.0	45,569.1	5,417.1	13.5%
Government	245.8	246.4	0.5	0.2%
Customers	30,748.3	36,233.9	5,485.6	17.8%
Banks	9,157.9	9,088.8	-69.1	-0.8%

Source: General and International License banks.

Domestic deposits amounted to USD 67,594.6 million (+2.6%), driven by individual deposits, which grew 7.7% (+USD 3,773.8 million), reaching USD 52,888.5 million. This performance reflects a greater willingness to save in the local banking system, in the context of relatively stable rates and sustained confidence in the system. In contrast, official deposits decreased 15.9% (-USD 2,152.1 million), while local interbank deposits grew moderately (+3.3%), reaching USD 3,303.9 million, possibly due to short-term adjustments in liquidity positions.

External deposits totaled USD 45,569.1 million, with annual growth of 13.5% (+USD 5,417.1 million). This increase was led by deposits from non-resident individuals, which increased 17.8% (USD +5,485.6 million), reaching USD 36,233.9 million, consolidating the regional attractiveness of the IBC as a financial center for savings and capital protection. In contrast, deposits from foreign banks declined slightly (-0.8%), while official deposits abroad remained stable (+0.2%).

The growth in external deposits, which registered a year-on-year expansion of 13.5% in June 2025, was accompanied by a 19.3% increase in the external loan portfolio, representing an absolute increase of USD 5,997.6 million. This strong correlation demonstrates the role of the International Banking Center as an efficient regional intermediary, channeling resources raised from abroad into financing operations in neighboring economies, strengthening its position as a cross-border intermediation platform.

Currently, external funding represents nearly 40% of total deposits, consolidating its structural weight in the CBI's liability profile. This exposure implies the need to maintain prudential strategies to mitigate risks associated with external liquidity conditions or geopolitical events.

From a financial stability perspective, the growth of the deposit base reflects the sustained confidence of local and international depositors in the Panamanian International Banking Center. However, risks persist from global volatility, restrictive monetary conditions in advanced economies, and potential regulatory adjustments. In this context, preserving the system's resilience will require strengthening institutional credibility, strengthening prudential supervision, and consolidating regulatory frameworks that allow for efficient management of counterparty concentration, funding costs, and maturity profiles.

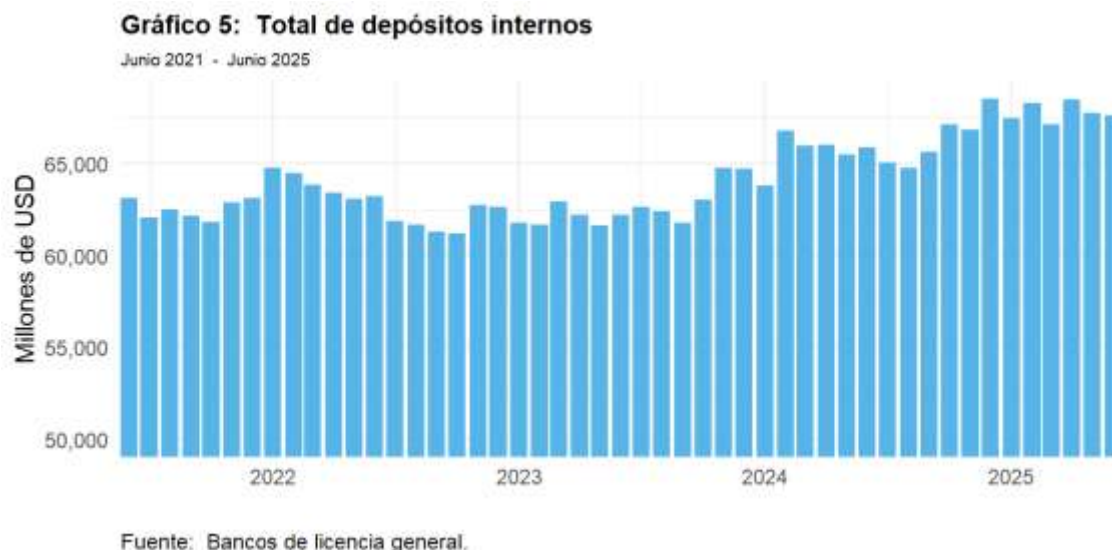
Graph 4: Total Deposits of the IBC
June 2025



Source: General license banks.

Chart 5 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
June 2021 – June 2025



Source: General License banks.

The recent evolution of the deposit structure confirms the solidity of the National Banking System (NBS) in terms of funding. At the end of June 2025, domestic deposits from individuals represented 78.32% of total domestic deposits, reflecting a sustained preference among residents for local banks as a source of liquidity and savings. This composition favors a more stable funding profile and reduces the system's exposure to risks arising from adverse conditions in international markets.

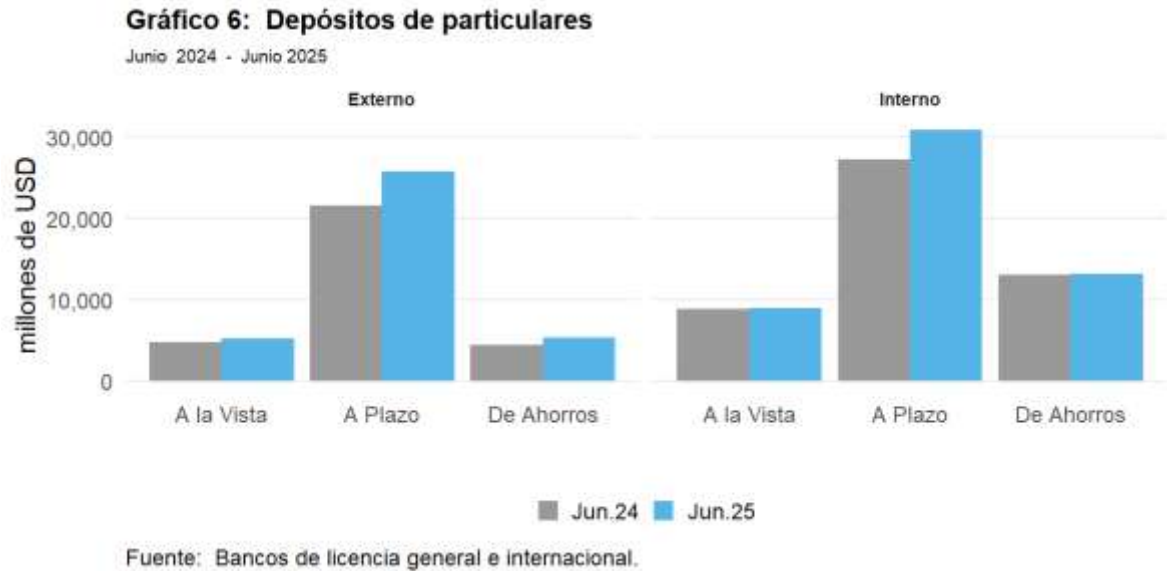
Term deposits continue to consolidate their position as the main vehicle for deposits. Year-over-year, they grew 13.2% in the domestic segment (+USD 3,594.3 million) and 19.5% in the external segment (+USD 4,225.0 million), reinforcing their role as a pillar of structural stability. This evolution improves the predictability of the maturity profile and strengthens the medium-term liquidity position. However, the higher financial cost associated with this instrument could generate additional pressure on the net interest margin, particularly if not accompanied by efficient credit allocation.

Demand deposits showed a differentiated dynamic. In the domestic segment, they grew slightly by 0.9% (+USD 78.6 million), while in the external segment they increased by 9.2% (+USD 434.4 million), suggesting stable demand for highly liquid instruments, both for operational and treasury purposes.

Savings deposits, meanwhile, maintained a positive performance. Domestic deposits grew by 0.8% (+USD 100.9 million) and external deposits by 18.7% (+USD 826.2 million), which points to a growing share of this type of instrument within the funding portfolio, notable for their lower relative cost and stability.

The current composition of time, demand, and savings instruments allows the CBI to maintain a relatively diversified and balanced funding structure. In the context of global monetary normalization and increased competition for liquidity, this configuration mitigates maturity mismatch risks and allows for more efficient management of the marginal cost of liabilities. Going forward, active management of the funding structure, based on maturity staggering, counterparty diversification, and pricing optimization, will be key to preserving structural liquidity, sustaining risk-adjusted profitability, and strengthening the CBI's resilience.

Graph 6: Customer Deposits
June 2024 – June 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.

H. Glossary of terms

Acronym	Definition	Description
IBC	International Banking Center	A group of banks with general and international licenses operating in Panama and conducting both local and cross-border activities.
NBS	National Banking System	Includes banks operating with a general license in Panama, primarily focused on domestic operations.
SBP	Superintendencia de Bancos de Panamá	Regulatory and supervisory authority of the banking market in Panama.
CAR	Capital Adequacy Ratio	Indicator that measures the solvency of banks in relation to their risk-weighted assets.
LCR	Liquidity Coverage Ratio	Regulatory ratio that ensures that entities have sufficient liquid assets to cover net cash outflows for 30 days.
ROA	Return on Assets	Profitability indicator that measures net income in relation to total assets.
ROE	Return on Equity	Profitability indicator that measures net income in relation to equity.
NII	Net Interest Income	Difference between interest income and interest costs, in relation to earning assets.
NIIF	International Financial Reporting Standards	Accounting framework used to prepare the financial statements. The document mentions risk management under the expected loss approach.
USD	United States Dollar	US dollars, the currency used in the report figures.
p. b.	Basic points	Unit equal to 0.01%, used to describe small percentage changes (e.g., interest rates or profitability).



Superintendencia
de Bancos de Panamá



www.superbancos.gob.pa