Superintendencia
de Bancos de Panamá

Banking Activity Report

August 2024

Table of Contents

Executive Summary

The operations of the International Banking Center (IBC) continue to show sustained growth, with a year-on-year increase of 4.2% in total assets, reaching USD 148.5 billion at the end of the period. This performance shows the operational resilience of the system, supported by an expansion in productive assets. Among these, the behavior of the total loan portfolio stands out, where there was a 7.4% growth, followed by the securities portfolio with a 5.0% increase. Bank placements, however, showed a decrease of around 9.3%, although when compared to the previous month, a growth of approximately USD 464 million is observed. This behavior demonstrates that, in an economic environment with lower growth prospects than in previous years, banking institutions are contributing significantly to the country's economic development by financing various activities.

At the end of the eighth month of the current year, the operations of the International Banking Center (IBC) showed adequate financial strength indicators and prudent credit granting performance, with banks maintaining levels that exceed the minimums established by the regulatory provisions issued by the banking regulator. The most recent solvency and legal liquidity indicators reached levels of 15.65% and 59.43%, respectively. These indicators not only demonstrate sufficient compliance with regulatory requirements in recent performance but also reinforce the system's capacity to absorb financial shocks in a constantly changing global scenario, with these prudential instruments helping maintain financial stability towards potential adverse scenarios.

Growth, in general terms, is mainly driven by a strategy of optimizing returns on productive assets, as well as active and strategic management of available resources. This setup has strengthened the IBC's capital and liability structure, contributing to both profitability and the mitigation of potential risks throughout 2024.

The IBC's loan portfolio, the primary asset on the balance sheet, grew by 7.4%, broken down into 11.5% in the external segment and 5.4% in the local component. At the end of August, the gross local loan portfolio of the National Banking System recorded a balance of USD 63.07 billion. This positive performance is indicative of sustained credit demand, despite a less dynamic economic environment, suggesting resilience in local economic activity and the banks' ability to seize financing opportunities. As noted in previous paragraphs, the largest increases were recorded in commerce (USD 1.14 billion), mortgages (USD 564 million), personal consumption (USD 578 million), financial activities (USD 426 million), and industry (USD 619 million). The household loan portfolio grew by 4.1%, with mortgage loans reaching USD 19.71 billion, representing a 3.9% growth, and personal consumption loans growing by 4.3%.

By the end of August 2024, the accumulated new credit disbursements by the National Banking System (NBS) reached USD 16.4 billion, representing a year-on-year increase of 10.9%. This growth is significant, nearing the volumes disbursed during the same period in 2019. Additionally, the behavior observed compared to recent months shows a reactivation in financing demand across both productive sectors and consumption, supported by greater confidence in economic recovery prospects and a credit environment with favorable conditions. This increase in credit suggests that, despite sectoral challenges, the banking system continues to expand its financing capacity, which is positive for the sustainability of credit activity. Although it is necessary to monitor the sustainability of this trend in the medium term, the increase in credit disbursements could be an early indicator of accelerated economic growth. However, the continuation of this trend will depend on the financial system's ability to efficiently manage credit risks and maintain confidence in an evolving economic environment.

Regarding the health of the IBC's loan portfolio, some materialization was evident due to delays, albeit at levels similar to those seen a year ago. In total, the non-performing and overdue portfolio represents 3.94% of the loan balance. The indicator of total overdue loans in relation to the loan balance stood at 2.35% in August 2024. This behavior suggests that loan payments may be stabilizing, as this ratio was 3.99% the previous month. Proactive risk management is crucial given these indicators and the lower economic performance forecast for this year, which could limit credit expansion and keep non-productive assets high. Therefore, banks need to maintain a strict provisioning policy and continue strengthening their recovery and credit restructuring strategies to mitigate prospective risks. Additionally, intensified monitoring of asset quality and possible adjustments in credit granting policies will be essential to preserve the financial stability of the IBC.

In August 2024, banks that make up the International Banking Center (IBC) recorded a 10.9% increase in accumulated profits compared to the previous year, reaching a total of USD 2.09 billion. This growth was driven by a 3.1% increase in net interest income, a 16.4% rise in other income, and efficient management of general expenses, resulting in banking efficiency being maintained at around 48%.

The IBC experienced a year-on-year growth of 4.2% in bank deposits in August 2024, reaching a total volume of USD 105.72 billion. This advance was supported by two main pillars: a 3.8% increase in domestic deposits, reaching USD 64.771 billion, and a 4.8% increase in external deposits, totaling USD 40.950 billion. These figures reveal that commercial banking's deposit base continues to be significantly driven by depositors' preference for safe investments and predictable returns, demonstrating confidence in the stability and solvency of the IBC's banking system. This solidifies the IBC's fundamental role in asset management both locally and in the region, serving customers from neighboring countries. Deposits continue to grow sustainably both locally and internationally, with an increase in term deposits in both cases due to the migration of clients who previously held funds in demand or savings accounts, as a result of rising interest rates that have been evident for some time. Given the possibility of changes in international interest rates, proactive monitoring is essential to manage any temporary imbalance in the anchoring structure. Continuous monitoring is suggested to identify the need for timely adjustments in financing strategy and risk management, with the aim of mitigating adverse impacts and ensuring financial stability.

A comprehensive analysis of the key financial indicators of banks shows that the IBC remains resilient, with adequate levels of liquidity and capitalization, despite the slower economic growth observed throughout the year and persistent challenges in the external environment. Solvency ratios remain comfortably above regulatory requirements, suggesting sound capital management and a solid position to withstand potential systemic shocks. The ability of banks to keep these key indicators aligned with local regulations and international Basel III standards will be crucial in mitigating risks associated with an uncertain economic environment and maintaining the confidence of investors and depositors. Moreover, continuous monitoring of exposures to credit, market, and operational risks is essential to ensure that mitigation strategies are both timely and effective, especially in more vulnerable segments of the credit portfolio and due to the growth of certain revolving credit instruments, which could pose risks in a context of elevated interest rates. The Superintendency of Banks of Panama (SBP) will continue to play a fundamental role through a thorough prudential supervision process, ensuring the preservation of the financial system's stability and anticipating potential imbalances that could compromise its structural strength.

A. Liquidity

At the closure of August 2024, the Panamanian banking sector has sown a sound operational position, demonstrated in an average liquidity ratio of 54.7%. This liquidity level, exceeding regulatory standards, is primarily attributable to an increase in deposit volumes, indicating active and efficient balance sheet management. This robust liquidity not only enhances the sector's ability to respond to financial stress scenarios but also implies depositor confidence and the effectiveness of the treasury management strategies implemented by financing entities.

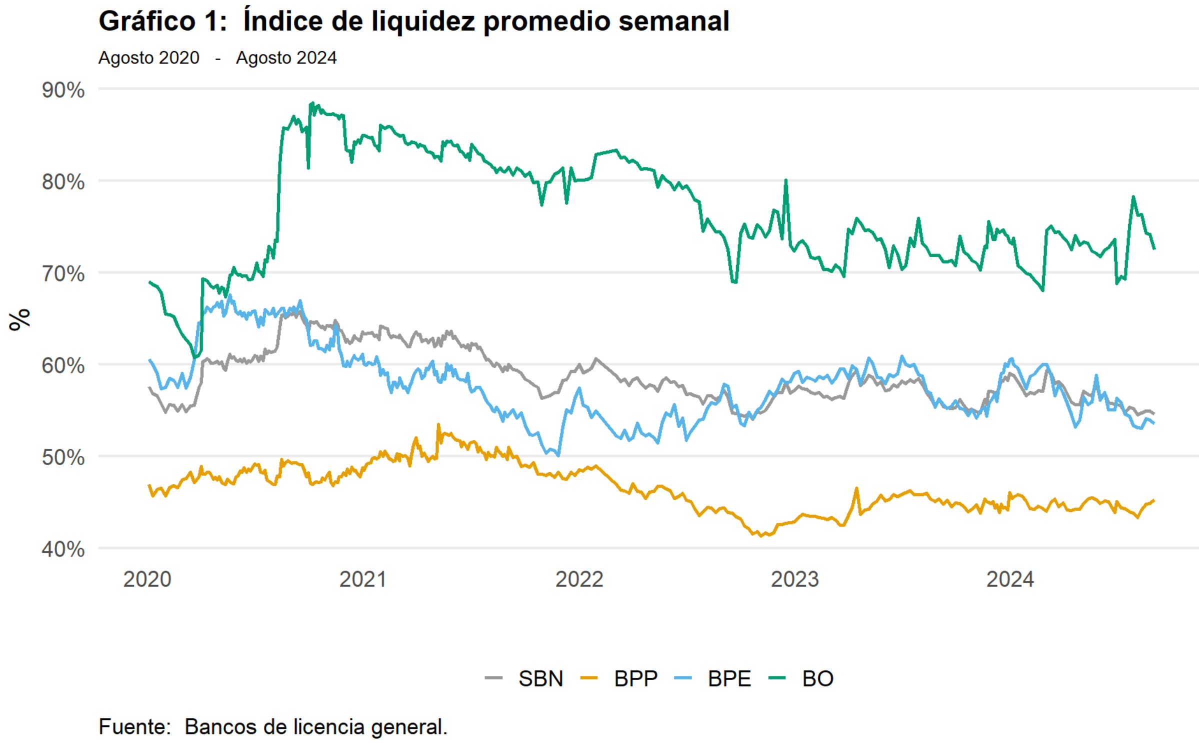
As for the System's banks, they have historically maintained robust liquidity buffers and constant access to structural and wholesale deposits, which constitute a fundamental part of their financing structure. The presence of wholesale deposits can offer advantages in terms of anchoring costs but can also present volatility risks in times of economic uncertainty, which underscores the importance of 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 solid relationship with their client portfolio and careful management.

Entities operating within the International Banking Center (IBC) are subject to regulatory provisions aligned with Basel III standards. Specifically, the Liquidity Risk Indicator, designed to assess funding capacity in emergency scenarios over a 30-day horizon, shows that Panamanian banks maintain levels above the minimum requirements. This is due to prudent management of asset and liability maturities, a diversified financing structure, and high-quality assets. Moreover, compliance with Basel III requirements provides the banking system with a robust capital structure, enabling not only effective short-term liquidity management but also the mitigation of structural imbalance risks in a globally volatile environment.

Currently, banks comply with the provisions of the Liquidity Coverage Ratio (LCR), showing an average indicator higher than the regulatory requirement. This level of compliance strengthens the sector's ability to withstand potential tensions in financial markets. Even though interest rates have begun to decline, alleviating some of the funding cost pressures, it will be crucial for banks to adjust their strategies to capitalize on this monetary easing environment in developed countries, while maintaining prudent management that allows them to secure 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
August 2020 – August 2024



Source: General license banks.

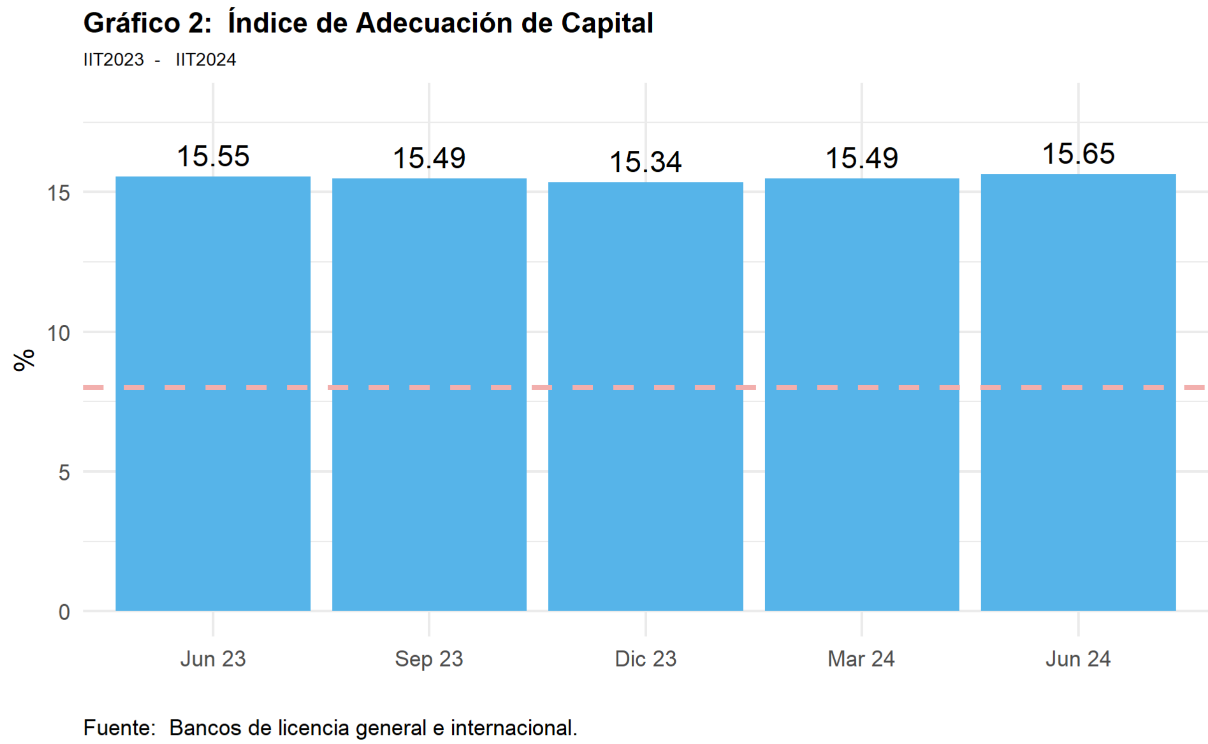
B. Solvency

The Capital Adequacy Ratio (CAR) of banks in the International Banking Center (IBC) has maintained adequate solvency indicators, consistently standing above the required 8%. As of June 2024, the CAR adjusted for the risk-weighted assets was 15.65% (last data updated) (see Chart 2), not exceeding the regulatory threshold of 8% and showing strong financial resilience against possible adverse scenarios. This level of capitalization provides a substantial buffer, enhancing bank´s ability to absorb unexpected losses. The stability observed compared to the previous quarter suggests that institutions have managed to maintain prudent capital management despite a challenging economic environment.

To date, banks within the IBC comply with regulatory standards for bank capital, underscoring the effectiveness of their risk and capital management strategies guided by regulatory parameters. However, potential changes in RWAs could pressure capital ratios in the future, especially if accompanied by increases in credit or market risk. This highlights the importance of active RWA management and maintaining a robust capital strategy that balances growth and risk control.

It is crucial for IBC banks to continue strengthen their capitalization policies, particularly in an environment where external factors, such as changes in global and local macroeconomic conditions, could impact capital stability. Given the current circumstances, it is essential to closely monitor external and local real sector factors that could affect capital strength and to take proactive measures to mitigate potential risks. The ability of banks to adjust their capital levels promptly and efficiently in response to potential variations in RWAs will be a key factor in sustaining their solvency.

Graph 2: Capital Adequacy Ratio
IIQTR. 2023 – IIQTR. 2024



Source: General and international license banks.

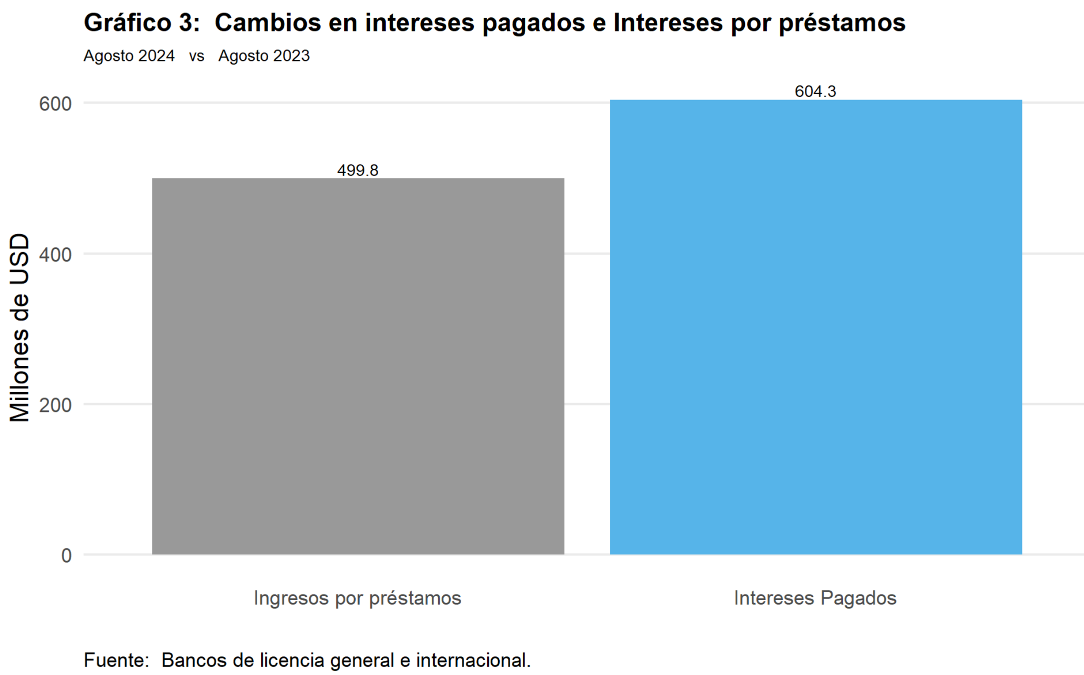
C. Income Statement

As of August 2024, banks within the International Banking Center (IBC) reported a 10.9% increase in accumulated profits compared to the previous year, totaling USD 2.09 billion.

However, despite the overall positive results at the IBC level, performance varies among different financial institutions. Therefore, special attention must be given to areas such as operational optimization, strategic decisions on costs, efficiency, and customer retention. The improvement in asset profitability is primarily driven by a 3.1% increase in net interest income, which reached USD 2.3 billion as of August 2024. While the stability in the interest margin is a positive factor, it remains essential to monitor the evolution of interest rates and their impact on costs anchoring. Other important components show that operating income grew by 9.3% growth, while general operating expenses increased by 9.2% compared to the same period of the previous year. Although the growth of operating costs is under control, the ability of entities to continue optimizing their operational efficiency will be essential to sustaining profitability in the long term.

Loan interest income increased by 12.7%, representing an absolute variation of USD 499 million. Conversely, interest paid, on term deposits, increased by 22.6% (USD 604 million).

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



Source: General and international license banks.

This positive performance is the result of the good practice of process optimization and cost reduction. The implementation of new digital technologies has enabled the execution of more efficient processes and allowed cost reduction over a medium term. It is important to highlight that the adoption of modern technologies has led to improvements in operational efficiency, and it contributes to the sustainable growth by leveraging automation and continuous improvement in service delivery. General expenses amounted to USD 2.2 billion, which shows efficient management of operating costs in a growth environment.

Prospectively, it is anticipated that IBC institutions will continue to implement strategies aimed at efficient management of administrative expenses in pursuit of greater operational efficiency. As of August 2024, the IBC's operational efficiency ratio is around 48%, showing a slight improvement and the positive impact of investments in technology and digitalization. However, maintaining this trend will be key to enhancing competitiveness and ensuring a controlled risk profile. In conclusion, although the IBC's performance shows positive signs of growth and efficiency, continuous management of financial and operational risks will be necessary. The IBC's ability to adapt to changes in the economic environment and fluctuations in interest rate markets will remain a key factor in assessing its risk profile.

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

International Banking Center	Jan.-Aug 2023	Jan.-Aug 2024	Difference %	Difference USD
C. Net interest income	2,276	2,346	3.1%	69.9
D. Other income	1,990	2,316	16.4%	326.0
E. Operating income	4,267	4,662	9.3%	395.9
F. General expenses	2,037	2,225	9.2%	187.5
G. Profit before provisions	2,229	2,438	9.4%	208.4
H. Bad debt	338	341	0.8%	2.8
I. Profit for the period	1,891	2,097	10.9%	205.7

Source: General and International License banks.

At the National Banking System (NBS) level, during August 2024, accumulated net profits were approximately USD 1,7 billion, showing a 13.9% increase compared to the same month in 2023. The growth in profits mirrors the performance reported by the International Banking Center (IBC), highlighting a trend of cost optimization in the banking sector. Although provisions for bad debts have only increased by 0.5% through August 2024, adopting a more conservative approach to provisioning and proactive loan portfolio management will be critical to ensuring the stability and resilience of the banking system in the medium and long term.

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

National Banking System	Jan-Aug 2023	Jan-Aug 2024	Difference %	Difference USD
C. Net interest income	2,015	2,091	3.8%	76.8
D. Other income	1,697	2,045	20.5%	348.0
E. Operating income	3,711	4,136	11.4%	424.8
F. General expenses	1,874	2,089	11.5%	214.6
G. Profit before provisions	1,837	2,047	11.4%	210.1
H. Bad debts	335	337	0.5%	1.8
I. Profit for the period	1,502	1,710	13.9%	208.4

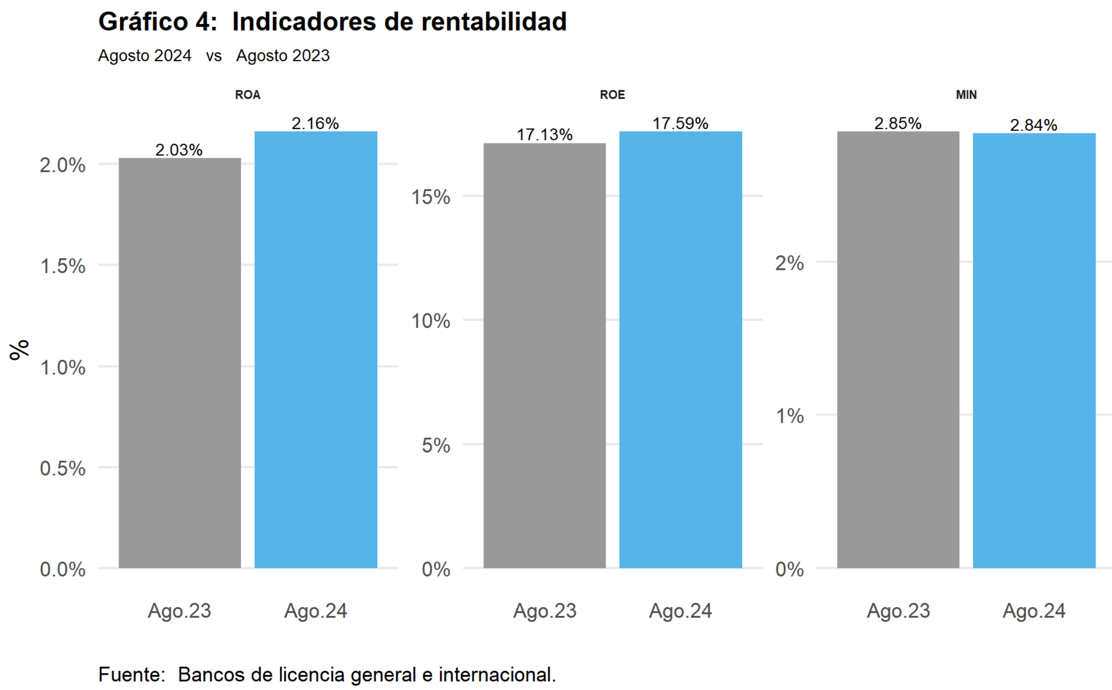
Source: General License banks.

D. Profitability indicators

In terms of profitability indicators, they remain on a favorable trend, with indicators as of August 2024 demonstrating adequate management by banks on an aggregate level. The Return on Equity (ROE) reached 17.59%, showing an increase compared to the previous year. This ROE growth shows an increase in return on equity, which can be attributed to greater operational efficiency, cost optimization, and more effective use of financial leverage.

At the same time, the Return on Assets (ROA) reached 2.16%, confirming an improvement in profitability. It is important to mention that, although most profitability metrics continue to improve, the net intermediation margin (NIM) decreased slightly, standing at 2.84% in August 2024, compared to 2.85% in the previous year.

Graph 4: Profitability Indicators
August 2024 vs. August 2023



Source: General and international license banks.

E. Balance Sheet

As of the end of August 2024, Panama's International Banking Center (IBC) showed positive performance in its total assets, reaching USD 148,5 billion, representing a year-over-year increase of USD 5,9 billion or 4.2%. This growth is primarily driven by a strategy of optimizing returns on productive assets, as well as active and strategic management of available resources. The improvement in the asset structure shows a shift towards higher-yielding assets, which has increased profitability and enhanced the system's risk profile. This configuration has strengthened the IBC's capital base and liabilities, contributing to both financial strength and the mitigation of potential risks throughout 2024.

Despite these advances, the local and global economic environment shows signs of deceleration, which could limit the capacity for credit expansion and increase the risk of deterioration in asset quality. This less dynamic environment could negatively affect the evolution of non-performing assets, which, in the long term, could increase the risk of deterioration in the credit portfolio, an aspect that financial institutions must rigorously monitor.

The expansion in the IBC's balance sheet reflects an acceleration in the growth of productive assets, driven by a 7.4% increase in the net loan portfolio, which has reached USD 92.4 billion, and a 5% increase in securities investments, up to $32.3 billion. In contrast, liquid assets have decreased by 9.4%, indicating a reallocating strategy towards higher-yielding assets, suggesting a balance sheet management that seeks to maximize risk-adjusted returns.

The loan portfolio remains the productive asset with the greatest weight in the IBC's asset structure. The external segment of the net loan portfolio has shown an 11.54% growth, suggesting a geographical diversification in the IBC's lending operations. While external expansion can enhance returns, it also introduces additional risks, such as exposure to more volatile regulatory frameworks and market conditions in certain jurisdictions. On the other hand, the local component of the net portfolio increased by 5.0%, showing sustained demand in the domestic market.

Regarding liabilities, deposits continue to be a relevant component in the IBC's anchoring model, reducing dependence on wholesale anchoring and market debt issuances, which are more volatile. As of the end of August 2024, deposits amounted to USD 105,72 billion, with a year-over-year growth of 4.2%. The continued expansion of deposits and the prudent strategy of maintaining a considerable weight of term deposits underline the strength and resilience in the IBC's anchoring structure. In this regard, it is important to note that the competitiveness of interest rates offered on term deposits could be a key factor in attracting and retaining deposits, but it must be evaluated in the context of potential changes in the remuneration structure in response to variations in international interest rates and their impact on financing costs.

In an environment of increasing pressure on the capital costs, the IBC has conducted optimized liability management, demonstrated in a reduction of financial obligations by 1.3%. Although the increase in borrowing costs presents a challenge, there is renewed interest in financing strategies designed to mitigate future liquidity risks, optimizing the financing cost through a focus on diversifying financing sources. This structure, characterized by a flattening between short- and medium-term rates, suggests new avenues to optimize the balance sheet and strengthen the IBC's long-term financial position.

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

Description	2023 August	2024 August	Difference Aug. 24 / Aug. 23 Total	%
Liquid assets	17,942	16,260	-1,682	-9.4%
Net credit portfolio	86,018	92,401	6,383	7.4%
Domestic	60,047	63,079	3,032	5.0%
Foreign	28,347	31,587	3,240	11.4%
Securities	30,822	32,352	1,530	5.0%
Other assets	7,809	7,532	-277	-3.5%
Total Assets	142,590	148,546	5,955	4.2%
Deposits	101,446	105,722	4,277	4.2%
Domestic	62,399	64,772	2,373	3.8%
Foreign	39,046	40,951	1,904	4.9%
Obligations	19,837	19,587	-250	-1.3%
Other liabilities	4,105	4,666	561	13.7%
Capital	17,203	18,570	1,368	8.0%
Liabilities and Capital	142,590	148,546	5,955	4.2%

Source: General and International License banks

In the case of the National Banking System (NBS) (general license banks), total assets amounted to USD 132.7 billion, an increase of USD 6.5 billion, or 5.2% more compared to the previous year. The net loan portfolio of the NBS showed an increase of USD 5.8 billion (7.5%), reaching a balance of USD 84,7 billion. Net external loans grew by 12.9%, while the net local portfolio had a performance of 5%.

Additionally, NBS deposits also showed an increase, reaching USD 93.6 billion, representing a growth of 5.3%. This increase in deposits is positive, as it reflects public confidence and the strength of the system's anchoring base, crucial elements for the sector's future stability and expansion. At the same time, net equity increased by 11.4%, evidence of a strengthening financial structure and a more robust capital base.

Table 4: National Banking System
Balance Sheet
(In millions of USD)

Breakdown	2023 August	2024 August	Difference Aug. 24 / Aug. 23 Total	%
Liquid assets	13,768	13,466	-303	-2.2%
Net credit portfolio	78,874	84,751	5,877	7.5%
Domestic	60,047	63,079	3,032	5.0%
Foreign	21,156	23,891	2,735	12.9%
Securities	26,108	27,365	1,257	4.8%
Other assets	7,466	7,190	-276	-3.7%
Total Assets	**126,216**	**132,771**	**6,555**	**5.2%**
Deposits	88,916	93,619	4,703	5.3%
Domestic	62,320	64,649	2,329	3.7%
Foreign	26,596	28,970	2,374	8.9%
Obligations	19,744	19,461	-284	-1.4%
Other liabilities	3,890	4,471	580	14.9%
Capital	13,665	15,220	1,556	11.4%
Liabilities and Capital	**126,216**	**132,771**	**6,555**	**5.2%**

Source: General License banks

F. Credit

At the end of August 2024, the domestic loan portfolio of the National Banking System recorded a balance of USD 63 billion. This amount shows a 5% increase compared to the same period of the previous year, which translates into a growth of USD 3 billion. While several portfolios comprising this local aggregate showed annual growth rates, some performed negatively.

By the close of August 2024, new cumulative loan disbursements by the National Banking System (NBS) reached USD 16,3 billion, representing a year-on-year increase of 10.9%. This growth is significant, approaching the disbursement volumes of this period in 2019. Additionally, when compared to recent months, the observed trend reflects a reactivation in the financing demand, both in productive sectors and in consumption, driven by increased confidence in the economic recovery outlook and a credit environment that shows favorable conditions. This increase in loan origination suggests that, despite sectoral challenges, the banking sector continues to expand its lending capacity, which is positive for the sustainability of credit activity. While it is important to monitor the sustainability of this trend in the medium term, the rise in credit disbursements could be an early indicator of accelerated economic growth. However, the continuation of this trend will depend on the financial system's ability to efficiently manage credit risks and maintain confidence in an evolving economic environment.

Table 5: National Banking System
Balance of Domestic Credit Portfolio by Economic Sectors
(In millions of USD)

Sector	August-23	August-24	Difference Aug. 23/Aug. 24	
			Total	%
TOTAL	60,047	63,079	3,032	5.0%
Public sector	2,091	1,994	-97	-4.7%
Private sector	57,956	61,085	3,129	5.4%
Financial and insurance act.	1,716	2,142	427	24.9%
Agriculture	495	537	42	8.6%
Livestock	1,317	1,275	-42	-3.2%
Fishing	117	93	-24	-20.2%
Mining and Quarrying	59	41	-18	-30.3%
Commerce	11,949	13,091	1,141	9.6%
Industry	3,459	4,078	619	17.9%
Mortgages	20,347	20,911	564	2.8%
Construction	5,082	4,923	-159	-3.1%
Personal consumption	13,415	13,993	578	4.3%

Source: General License banks

At the sectoral level, growth was led by financial activities and insurance (24.9%), industry (17.9%), trade (9.6%), agriculture (8.6%), personal consumption (4.3%), and mortgages (2.8%), all of which continue to show strong demand for financing. However, the heterogeneity in sectoral performance is notable, with areas such as livestock (-3.2%), construction (-3.1%), the public sector (-4.7%), fishing (-20.2%), and mining and quarrying (-30.3%) experiencing contractions. These latter sectors will require more cautious credit risk management by financial institutions to mitigate potential deterioration in asset quality.

Over the last 12 months, the household credit portfolio recorded a balance of USD 19,7 billion in mortgage loans and USD 13,9 billion in personal consumption at the end of August 2024. These amounts represent a year-on-year growth of 3.9% in mortgage loans and 4.3% in personal consumption. This expansion dynamic in household credit may be driven by a stable demand for residential financing, together with a more accelerated growth in consumer products, particularly in credit cards, which experienced a significant increase of 11.7% in the same period. While this growth in credit in this particular product reflects an increase in the propensity of households to use short-term financing, it also poses risks inherent to over-leveraging, especially in revolving credit products, such as credit cards, which typically have higher interest rates. It is crucial that financial institutions closely monitor the risk indicators associated with these revolving loans, since significant growth in this segment could generate additional pressures on bank balance sheets if not managed properly.

Table 6: National Banking System
Balance of local household credit portfolio
(in millions of USD)

	Aug -23	Aug -24	Difference	
			USD	%
Household credit	32,383	33,705	1,323	4.1%
TOTAL Consumption	13,415	13,993	579	4.3%
Card	2,207	2,465	258	11.7%
Personal loan	9,373	9,562	189	2.0%
Car loan	1,835	1,966	131	7.2%
Housing mortgage	18,968	19,712	744	3.9%

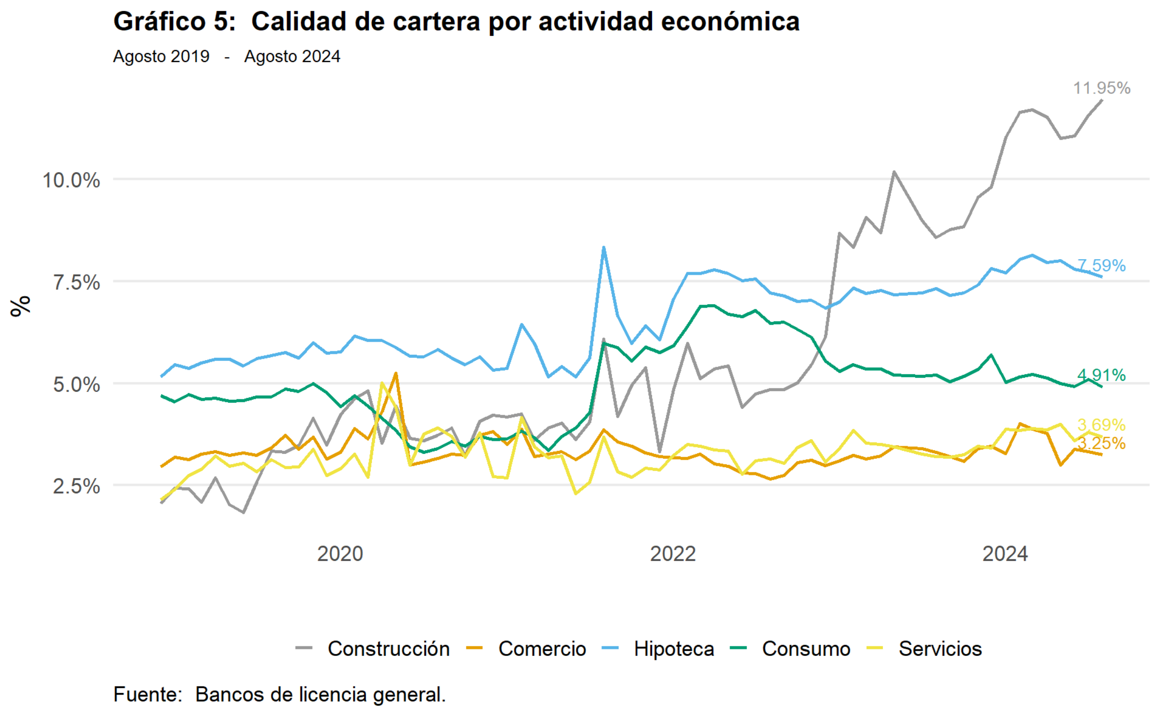
Source: General License banks

It is crucial for banks to continue diversifying their credit portfolios among different economic sectors to reduce exposure to sectoral volatility and ensure greater financial stability. Diversification also allows banks to support a broader range of economic activities, thus driving more balanced and robust national development.

Regarding the credit risk of the National Banking System, during the analyzed period, there was some materialization, albeit smaller, still at levels similar to last year. The non-performing and overdue portfolio jointly represents 5.6% of the portfolio balance. The total non-performing portfolio indicator in relation to the portfolio balance registered 2.3% in August 2024. However, the coverage of non-performing portfolio through provisions remains above 100%.

Regarding the non-performing loan ratio by sector, the mortgage sector reports a non-performing loan ratio of 8%, a level that has remained stable since 2022, showing prudent risk management in this segment. Regarding activities related to consumer credit, after the post-pandemic recovery, the non-performing loan indicator has shown a progressive improvement, standing at around 5%, which suggests a gradual normalization in the payment capacity of households. In contrast, the trade and services sectors have non-performing loan ratios below 4%, which is indicative of adequate credit quality in these areas. These sectors represent approximately 20% of private credit, which means that their limited non-performing loans contribute significantly to the overall resilience of the financial system's credit portfolio.

Graph 5: Portfolio quality by economic activity
August 2019 vs. August 2024



Source: General and international license banks.

At the end of August 2024, local credit by province shows a strong concentration in the province of Panama, which represents 79% of the total, consolidating itself as the most relevant region in terms of credit allocation. It is followed by the provinces of Chiriquí, with a share of 5.6%, Colón with 3.9%, and Panama Oeste, which contributes 3.7%. Other provinces with lower participation include Veraguas with 2.4%, Coclé with 1.8%, and Herrera with 1.77%.

Mortgage lending activity represents 33% of the local portfolio, consumption 22%, commerce 21%, construction 8%, industries 5.6%, financial companies 3.4%, public sector 3.2%.

Table 7: Local credits by provinces
(in millions of USD)

Sectores y Actividad	TOTAL	BOCAS DEL TORO	COCLE	COLON	CHIRIQUI	DARIEN	HERRERA	LOS SANTOS	PANAMA	VERAGUAS	COMARCAS	PANAMA OESTE
TOTAL	63,079	319	1,154	2,433	3,535	108	1,119	572	50,004	1,486	5	2,343
Sector Público	1,994	1	0	0	17	0	0	2	1,925	1	0	48
Sector Privado	61,085	318	1,154	2,433	3,518	108	1,119	570	48,079	1,485	5	2,295
Emp. Financieras y de Seg.	2,142	0	6	20	10	0	5	4	2,093	2	0	2
Agricultura	537	7	34	0	227	5	23	28	146	51	0	16
Ganaderia	1,275	8	82	11	310	76	104	129	312	181	0	62
Pesca	93	0	21	1	1	0	4	3	51	2	0	11
Minas y Canteras	41	0	0	1	1	0	1	1	36	1	0	1
Comercio	13,091	38	140	1,590	334	1	121	23	10,559	108	0	176
Industria	4,078	0	14	80	133	0	29	15	3,741	50	0	15
Hipotecario	20,911	78	409	280	1,111	4	365	169	17,098	497	0	900
Construcción	4,923	7	46	15	152	0	56	10	4,502	38	0	96
Micro crédito	0	0	0	0	0	0	0	0	0	0	0	0
Consumo Personal	13,993	178	401	435	1,240	22	412	189	9,541	555	5	1,017

Source: SBP data

G. Deposits

In August 2024, the International Banking Center (IBC) experienced a year-on-year growth of 4.2% in the balance of bank deposits, reaching a total volume of USD 105.7 billion deposits. This progress was supported by two main pillars: a 3.8% increase in domestic deposits, reaching USD 64.7 billion, and a 4.9% increase in foreign deposits, totaling USD 41 billion.

Domestic deposits increased by USD 2.4 billion during the period surveyed compared to the previous year. This growth was driven by a 2.1% increase in domestic government deposits, totaling USD 12,2 billion, and a 4.7% growth in internal individual deposits, reaching USD 49,5 billion. However, deposits from internal banks decreased by 2.9%, standing at USD 3 billion, showing a variation within this sub-segment, although it does not affect the overall growth of internal deposits.

On the other hand, foreign deposits grew overall, with foreign individual deposits increasing by 3.1%, reaching USD 31,3 billion, and foreign bank deposits growing by 11.2%, totaling USD 9,3 billion. Although not the main item of the foreign part, foreign official deposits experienced an 9% increase, standing at USD 294 million.

The sustained growth in foreign bank deposits suggests that international financial institutions still view Panama as a safe and attractive destination for their assets. In addition, this positive behavior in foreign deposits highlights the IBC's competitiveness compared to other financial centers in the region, consolidating Panama as a trusted banking center for international capital in the LATAM region.

These data validate that commercial bank deposits continue to be significantly driven by depositors' preference for safe investments and predictable returns, underlining confidence in the stability and solvency of the IBC banking system, consolidating its fundamental role in local asset management. Given the possibility of interest rate variations at the international level, it is crucial to maintain proactive monitoring to manage any temporary mismatch in the anchoring structure. Constant monitoring of these movements is recommended to identify the need for timely adjustments in financing strategy and risk management to mitigate adverse impacts and ensure financial stability.

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

Accounts	2023	2024	Difference Aug. 24 / Aug. 23	
	August	August	Total	%
Deposits	101,446	105,722	4,277	4.2%
Domestic	62,399	64,772	2,373	3.8%
Government	12,006	12,260	254	2.1%
Customer	47,286	49,494	2,209	4.7%
Banks	3,108	3,018	-90	-2.9%
Foreign	39,046	40,951	1,904	4.9%
Government	270	294	24	9.0%
Customer	30,393	31,332	939	3.1%
Banks	8,383	9,324	941	11.2%

Source: General and International License banks.

In the domestic financial context, the National Banking System (NBS) demonstrated positive development, in line with trends observed in the International Banking Center (IBC). By August 2024, the NBS reached a total volume of deposits of USD 93,6 billion, indicating an annual increase of 5.3%. This growth underscores continued confidence in the local banking system. Domestic deposits experienced a growth of 3.7%, rising to USD 64,6 billion. This increase was mainly driven by a 2.1% increase in official deposits and a 4.7% growth in individual deposits. However, deposits from internal banks decreased by 4.4.

On the other hand, foreign deposits showed an increase of 8.9%, totaling USD 28,9 billion. This increase was driven by 8.9% growth in foreign bank deposits and a 9.1% increase in foreign official deposits, highlighting the continued interest in the international financial opportunities offered by the NBS. This positive behavior in foreign deposits highlights the strength and competitiveness of the NBS compared to other financial centers in the region, consolidating Panama as a trusted banking center for international capital. Furthermore, the expansion of deposits, especially those of foreign origin, suggests an eagerness from investors and international entities that could be influenced by changes in market conditions, including variations in global interest rates.

These results highlight the strength and expansion of the NBS on both levels, consolidating a solid and resilient anchoring structure (See Table 9).

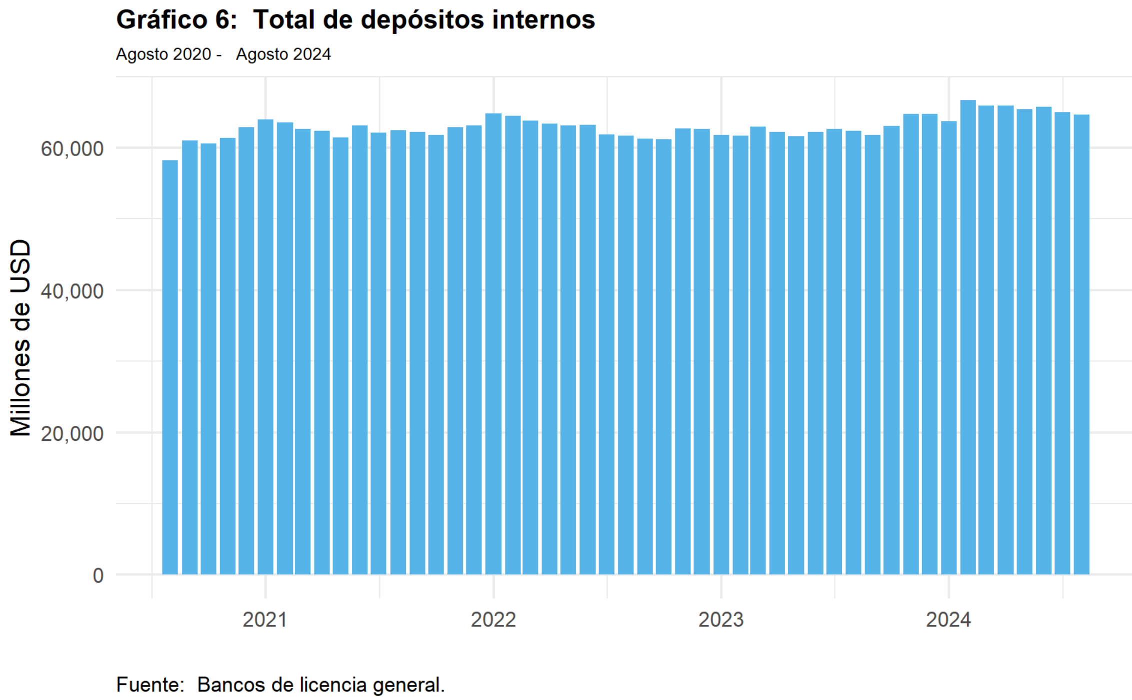
Table 9: National Banking System
Total Deposits
(In millions of USD)

Accounts	2023	2024	Difference Aug. 24 / Aug. 23	
	August	August	Total	%
Deposits	88,916	93,619	4,703	5.3%
Domestic	62,320	64,649	2,329	3.7%
Government	12,006	12,260	254	2.1%
Customer	47,286	49,494	2,209	4.7%
Banks	3,029	2,895	-134	-4.4%
Foreign	26,596	28,970	2,374	8.9%
Government	210	229	19	9.1%
Customer	18,586	19,903	1,317	7.1%
Banks	7,800	8,837	1,037	13.3%

Source: General License banks.

Graph 6 shows the evolution of the balance of internal deposits over time, showing key trends and depositors' behavior patterns. 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 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 important to highlight that local deposits represent around 70% of the total in the National Banking System (NBS). This high proportion of internal deposits underscores the confidence of residents in the national banking system and their willingness to keep their savings and financial resources in the country. This confidence is a positive indicator of public perception about the soundness and stability of the NBS.

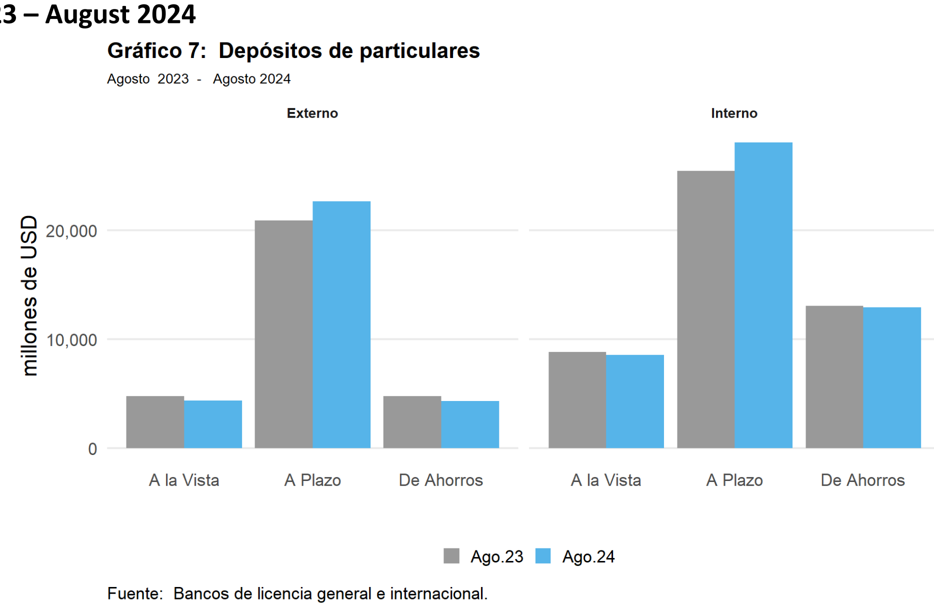
Graph 6: Total Domestic Deposits
August 2020 – August 2024



Source: General license banks.

Regarding deposits in the International Banking Center (IBC) by customer type, individual deposits account is 76% of domestic deposits, while bank deposits represent 4.7%. Among individual deposits, “time deposits” stand out with 57%, followed by savings accounts with 26% and demand deposits with 17%.

Graph 7: Customer Deposits
August 2023 – August 2024



Source: General and International license banks.

Regarding the distribution of deposits by province at the end of August 2024, Panama Province stands out as the country's main financial hub, accounting for 89% of total deposits, showing its dominant role in economic and banking activity. This high concentration can be attributed to the presence of most financial institutions' branches, as well as the location of the country's main companies and business centers. Following Panama are Coclé, with a 3.4%, Chiriquí with 2.7%, Panama Oeste with 1.6%, and Veraguas with 1.0%. The remaining provinces contribute less than 1%.

Table 10: Domestic Deposits by Provinces
(In millions of USD)

	TOTAL	BOCAS DEL TORO	COCLE	COLON	CHIRIQUI	DARIEN	HERRERA	LOS SANTOS	PANAMA	VERAGUAS	COMARCAS	PANAMA OESTE
Depósitos	64,772	181	530	2,184	1,755	26	446	361	57,602	632	0	1,055
Internos	64,772	181	530	2,184	1,755	26	446	361	57,602	632	0	1,055
Oficiales	12,260	0	0	0	0	0	0	0	12,260	0	0	0
De Particulares	49,494	181	530	2,169	1,750	26	444	358	42,351	631	0	1,054
A la Vista	8,544	30	52	453	251	3	46	31	7,499	72	0	108
A Plazo	28,035	57	252	1,369	857	2	217	170	24,329	317	0	465
De Ahorros	12,916	94	227	347	643	21	182	157	10,522	242	0	482
De Bancos	3,018	1	0	15	5	0	2	3	2,992	1	0	1
A la Vista	1,403	1	0	0	1	0	1	1	1,398	0	0	1
A Plazo	1,615	0	0	15	4	0	0	2	1,594	1	0	0

Source: SBP data

Superintendencia
de Bancos de Panamá

www.superbancos.gob.pa