Superintendencia de Bancos de Panamá

Banking Activity Report

August 2025

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Executive Summary

As of the end of August 2025, the performance of the IBC (International Banking Center) confirms the structural resilience of the banking sector: sustained balance sheet growth, stable funding, and consistent prudential metrics. Despite the margin compression typical of the economic cycle, profitability remains strong, supported by effective risk management and geographic diversification that reinforces the stability of the IBC.

I. **Liquidity and Solvency**: The system's financial soundness indicators remain robust, although not as high as in the post-pandemic period. The average Legal Liquidity Ratio stood at 51.51%, comfortably exceeding the regulatory minimum and guaranteeing the capacity to absorb short-term shocks. On the solvency front, the IBC's Capital Adequacy Ratio (CAR) reached 15.78%, almost double the required 8%, providing an adequate capital buffer to mitigate unexpected losses and support the system's stability.

II. **Balance Sheet Structure:** The International Banking Center registered year-on-year growth of 6.80% in its total net assets, reaching USD 158,644.6 million. This expansion was primarily driven by the net credit portfolio, which increased 7.80% to USD 99,613.0 million, led by the external credit portfolio (+17.3%). Deposits, the system's main source of funding, increased by 7.0%, while financial obligations grew at a faster pace of 13.83%, reflecting a continued shift toward wholesale market funding.

III. **Profitability and Operating Results:** Accumulated profits for the IBC reached USD 1,965.9 million, representing a year-over-year decline of 6.3%, attributable to the compression of the net interest margin (–2.8%) and a 3.0% increase in general expenses. Profitability indicators reflect this moderation: ROA stood at 1.92% (vs. 2.16% in 2024), ROE at 15.88% (vs. 17.60%), and NIM at 2.64% (vs. 2.84%). In contrast, the National Banking System (NBS) exhibited greater resilience, posting net income of USD 1,749.0 million, equivalent to a 2.2% year-over-year increase, supported by a decline in general operating expenses.

IV. **Credit Activity**: The domestic credit portfolio of the NBS reached USD 64,704.8 million, reflecting moderate annual growth of 2.6%. The main drivers of this expansion were the commerce sector (+6.2%), personal consumption (+5.1%), and agriculture (+10.4%). Asset quality continued to improve slightly, with the non-performing loan ratio declining to 1.51% and past-due loans to 2.23%. New loan disbursements within the NBS showed a strong rebound, totaling USD 9,811.8 million, a 23.3% increase compared to the previous year.

V. **Deposits and Funding Composition:** Total deposits in the IBC amounted to USD 113,158.2 million, growing by 7.0%, driven by the external segment (+12.3%), which now accounts for 40.7% of total deposits. Resident and non-resident individual deposits were the main contributors to growth, expanding by 7.6% and 17.2%, respectively. By instrument type, time deposits accounted for 82.6% of the total net increase, reinforcing the structural stability of funding—although exerting upward pressure on system-wide funding costs.

VI. **Conclusion:** The Panamanian banking system maintains a solid financial position, supported by strong capital and liquidity levels that continue to provide resilience amid a challenging economic landscape. Nevertheless, pressures on profitability margins, rising operating expenses, and increasing reliance on external funding represent key challenges moving forward. Sustaining stability and long-term growth will require a continued focus on operational efficiency, strengthened asset-liability management, and close monitoring of credit portfolio quality.

A. Liquidity

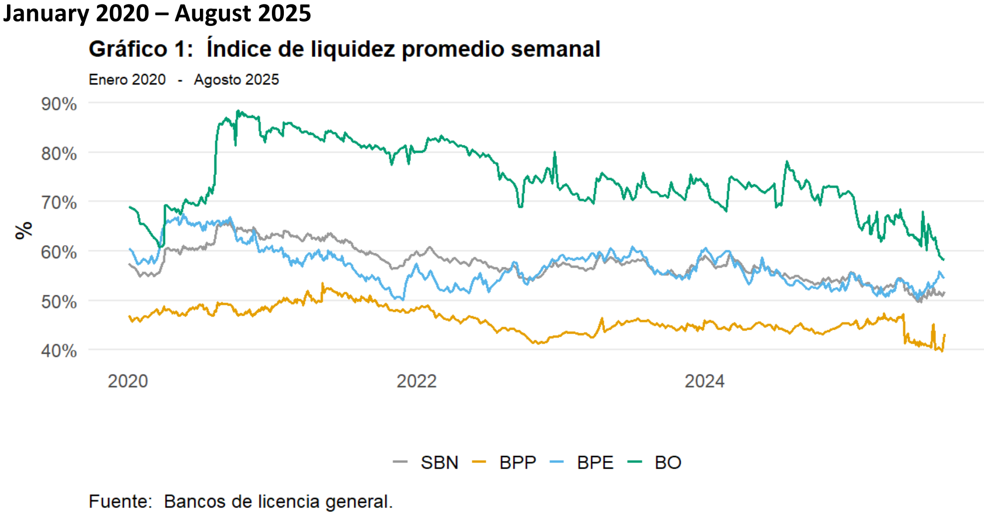
As of August 2025, the Panamanian banking system reported an average Legal Liquidity Index of 51.51%, well above the minimum regulatory requirement of 30%. This buffer reflects a strong structural liquidity position and supports the system's capacity to absorb short-term shocks, ensuring operational continuity and overall sector stability.

Banks in the system have historically maintained robust liquidity buffers, supported by consistent access to both retail and wholesale deposits, which remain key components of their financing structure. While institutional deposits offer cost advantages, they also entail inherent volatility during periods of economic uncertainty, underscoring the importance of diversified and proactive liability management. The strength of retail deposits helps reduce exposure to the volatility typical of wholesale funding, but it requires banks to maintain strong customer relationships and disciplined liquidity management. In this context, the stronger dynamism of external funding—up 12.35% year-over-year compared to 3.67% for domestic deposits—highlights the IBC's continued reliance on cross-border sources. This trend reinforces the need for sophisticated liability management strategies aimed at mitigating risks related to capital flow volatility, geographic concentration, and sensitivity to international financial conditions.

The system continues to meet the Liquidity Coverage Ratio (LCR) requirement comfortably, with levels consistently above the regulatory minimum. This performance reflects adequate risk liquidity management and strengthens the system's capacity to withstand periods of stress in financial markets.

The system's resilience to potential external shocks will depend on its ability to maintain these liquidity buffers at optimal levels, ensuring operational sustainability and an effective response capacity over the medium and long term. A diversified and proactive approach to liability management, combined with continuous monitoring of liquidity indicators, will remain essential for preserving financial stability in an evolving global environment.

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



Source: General license banks.

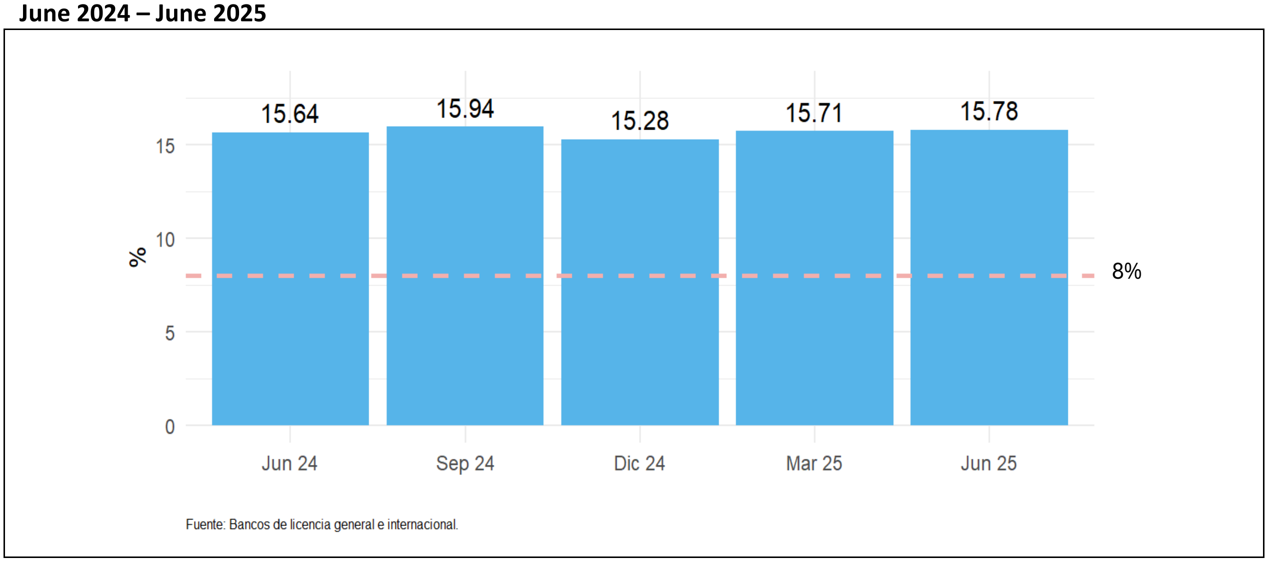
B. Solvency

The Capital Adequacy Ratio (CAR) of banks operating within Panama's International Banking Center has remained comfortably above the regulatory minimum of 8%. The latest figure shows a risk-weighted CAR of 15.78% (**see Graph 2**), exceeding the regulatory threshold and demonstrating strong capacity to absorb financial shocks in a volatile economic environment. This level of capitalization provides an adequate buffer to mitigate unexpected losses and supports the stability of the banking system.

The CAR has remained stable over recent years, fluctuating within a narrow range, reflecting prudent capital management by IBC institutions. Such stability is particularly relevant in the context of global and domestic macroeconomic pressures, where maintaining adequate capital levels is essential to preserve market confidence and financial resilience.

In conclusion, while banks have shown strong capacity to maintain adequate capitalization, evolving financial and macroeconomic risks will require active and prudent capital management. Strengthening solvency will require comprehensive monitoring that includes not only the CAR itself, but also the quality of regulatory capital—distinguishing between Tier 1 and Tier 2—and the system's ability to generate earnings that reinforce capital organically. This assessment is particularly relevant given the year-over-year decline in net income. The ability of institutions to adapt to regulatory and economic changes will be a determining factor in their future performance.

Graph 2: Capital Adequacy Ratio
June 2024 – June 2025



Source: General and international license banks.

C. Income statement

- ### International Banking Center

As of August 2025, the International Banking Center (IBC) recorded accumulated net income of USD 1,965.9 million, representing a year-over-year decline of 6.3% (–USD 132.8 million). This result reflects a moderation in earnings generation, associated with net interest margin compression and sustained increases in operating expenses. Nevertheless, the system continues to exhibit solid profitability in absolute terms and consistency relative to historical performance.

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

ACCOUNTS	2024	2025	Aug 25 / Jan - Aug 24	
	January - August	January - August	Absolute	%
Net interest income	2,346.0	2,281.1	-64.9	-2.8%
Other income	2,317.5	2,336.6	19.2	0.8%
Operating income	4,663.5	4,617.7	-45.7	-1.0%
General expenses	2,224.2	2,290.6	66.4	3.0%
Profit before provisions	2,439.2	2,327.2	-112.1	-4.6%
Bad debt	340.6	361.3	20.7	6.1%
Profit for the period	**2,098.7**	**1,965.9**	**-132.8**	**-6.3%**

Source: General and International License banks.

Interest income totaled USD 6,062.9 million as of August 2025, a 3.0% increase (+USD 175.5 million). This was driven primarily by higher income from loans (+5.0%) and investments (+7.1%), reflecting growth in the credit portfolio and higher yields on investment instruments. In contrast, income from deposits (–17.7%), leases (–21.7%), and other minor categories (–5.2%) declined, indicating lower profitability on liquid assets.

Operating expenses reached USD 3,781.8 million (+6.8%), driven by growth in interest expenses (+6.8%) and commissions (+7.0%). This resulted in a 2.8% reduction in net interest income, which stood at USD 2,281.1 million, reflecting pressure from rising funding costs relative to asset repricing.

Other income reached USD 2,336.6 million (+0.8%), supported by strong performance in service commissions (+9.2%) and foreign exchange operations (+30.5%), partially offsetting declines in dividends (–8.3%) and other income (–0.8%).

Net operating income declined slightly (–1.0%) to USD 4,617.7 million. General expenses rose 3.0% (USD 2,290.6 million), driven by:

- Administrative expenses (+4.8%),
- General expenses (+8.5%),
- A moderate increase in depreciation (+1.7%).

As a result, income before provisions stood at USD 2,327.2 million, a 4.6% annual decline (–USD 112.1 million).

Provisions for loan impairment totaled USD 361.3 million (+6.1%), reflecting a more cautious stance toward credit risk amid a still-challenging macroeconomic environment.

Net income for the period amounted to USD 1,965.9 million, a 6.3% decline compared with the same period in 2024. Although lower than the previous year, the result confirms that the system maintains robust operating profitability despite narrower margins and stricter credit discipline.

Overall, developments from January to August 2025 confirm that the IBC's profitability remains under pressure due to net interest margin compression and rising structural expenditures. Sustaining performance will depend on the system's ability to:

- Optimize operational efficiency and contain expense growth,
- Diversify revenue sources to reduce dependency on the financial cycle,
- Actively manage funding amid elevated global interest rates and regional competition for liquidity,
- Preserve credit quality through prudent provisioning aligned with IFRS and forward-looking Basel-based risk management standards.

- **National Banking System**

As of August 2025, the National Banking System (NBS) reported accumulated net income of USD 1,749.0 million, representing a year-over-year increase of 2.2% (+USD 36.99 million). This performance confirms the resilience of the banking system, despite operating amid tight margins, higher funding costs, and more demanding liquidity conditions at the regional level.

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

ACCOUNTS	2024	2025	Var. Jan-Aug 25 / July 24	
	Jan-Aug	Jan-Aug	Absolute	%
Net interest income	2,091.3	2,046.9	-44.4	-2.1%
Other income	2,045.7	2,041.4	-4.3	-0.2%
Operating income	4,137.0	4,088.3	-48.6	-1.2%
General expenses	2,088.4	1,997.4	-91.0	-4.4%
Profit before provisions	2,048.6	2,090.9	42.3	2.1%
Bad debt	336.5	341.9	5.4	1.6%
Profit for the period	**1,712.1**	**1,749.0**	**37.0**	**2.2%**

Source: General License banks.

Interest income totaled USD 5,459.1 million (+2.8%), driven by solid growth in loan income (+4.2%) and investment income (+7.2%). In contrast, declines were recorded in income derived from deposits

(-16.2%), leases (–5.9%), and other income (–8.7%), reflecting a less favorable environment for liquid and lower-yielding assets.

Operating expenses amounted to USD 3,412.2 million (+6.1%), primarily driven by higher interest expense (+6.0%) and fee expenses (+7.2%), which exerted pressure on the financial margin. As a result, net interest income declined by 2.1%, reaching USD 2,046.9 million.

Other income remained broadly stable (–0.2%), totaling USD 2,041.4 million. Within this category, notable performance was observed in:

- Fee income (+10.1%),
- Foreign exchange transactions (+39.2%),
- Dividend income (+13.5%).

Operating income declined slightly by 1.2%, to USD 4,088.3 million. However, general and administrative expenses decreased by 4.4%, totaling USD 1,997.4 million, due to a sharp contraction in other expenses (–39.0%), which more than offset increases in administrative expenses (+4.8%), general expenses (+8.2%), and depreciation (+3.3%). Consequently, profits before provisions increased by 2.1%, reaching USD 2,090.9 million. Loan loss provisions rose by 1.6%, totaling USD 341.9 million, suggesting a prudent risk management approach aligned with portfolio growth.

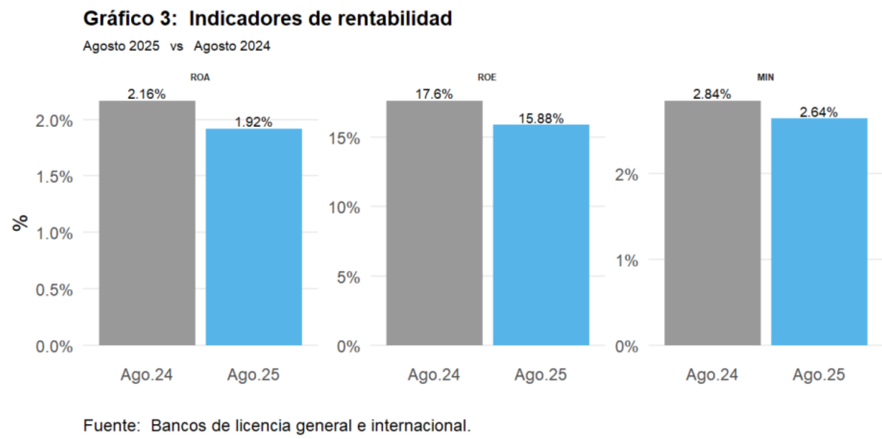
These results allowed the system to maintain a positive profitability trajectory, with sustained year-over-year growth despite prevailing external pressures.

D. Profitability indicators

As of August 2025, the main profitability indicators of the International Banking Center (IBC) continued to show signs of moderation, consistent with an environment characterized by narrower margins, higher funding costs, and more cautious credit growth. Return on Assets (ROA) stood at 1.92%, below the 2.16% recorded in the same period of 2024, representing a decline of 24 basis points. Similarly, Return on Equity (ROE) decreased to 15.88%, compared to 17.60% a year earlier, equivalent to a contraction of 172 basis points. Meanwhile, the Net Interest Margin (NIM) declined from 2.84% to 2.64%, evidenced by a compression of 20 basis points, consistent with higher liability costs and the slower pace of repricing on the asset side.

Despite this adjustment, many institutions have managed to preserve acceptable profitability levels through greater diversification into non-interest income, tighter operating cost control, and the implementation of more active balance sheet management strategies. Nevertheless, the decline in NIM underscores the importance of optimizing asset and liability management (ALM), applying dynamic pricing strategies, and accelerating digital transformation as key tools to preserve competitiveness and sustain profitability in a high-rate environment with ongoing liquidity pressures.

Graph 3: Profitability indicator
August 2025 – August 2024



Source: General License banks SBP data

E. Balance sheet

As of August 2025, Panama's International Banking Center (IBC) recorded total net assets of USD 158,644.6 million, representing a year-over-year increase of USD 10,099.1 million (+6.80%). This growth reflects the continued implementation of a strategy focused on expanding income-generating assets and optimizing balance sheet utilization, amid regional competition for liquidity and more demanding international financial conditions. The observed evolution suggests efficient resource allocation and prudent balance sheet management, contributing to the preservation of 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 August	2025 August	Var. August 25 / August 24 Absolute	%
NET LIQUID ASSETS	16,260.4	17,476.8	1,216.42	7.48%
NET CREDIT PORTFOLIO	92,404.0	99,613.0	7,209.04	7.80%
Domestic	61,078.8	62,828.2	1,749.37	2.86%
Foreign	31,325.2	36,784.8	5,459.67	17.43%
NET INVESTMENTS IN SECURITIES	32,349.2	33,672.3	1,323.15	4.09%
OTHER ASSETS	7,532.0	7,882.5	350.47	4.65%
TOTAL NET ASSETS	**148,545.5**	**158,644.6**	**10,099.07**	**6.80%**
Deposits	105,722.3	113,158.2	7,435.89	7.03%
Domestic	64,771.7	67,150.2	2,378.54	3.67%
Foreign	40,950.6	46,008.0	5,057.35	12.35%
OBLIGATIONS	19,587.1	22,296.5	2,709.35	13.83%
OTHER LIABILITIES	4,665.9	4,618.5	-47.35	-1.01%
CAPITAL	18,570.2	18,571.4	1.18	0.01%
LIABILITIES AND CAPITAL, TOTAL	**148,545.5**	**158,644.6**	**10,099.07**	**6.80%**

Source: General and International License banks.

In terms of liquidity, net liquid assets rose to USD 17,476.8 million, increasing by USD 1,216.4 million (+7.48%) year-over-year. This expansion reflects a balance sheet strategy aimed at maintaining adequate liquidity levels without sacrificing profitability, while preserving compliance with minimum regulatory coverage requirements. The internal and external composition remained relatively stable, with a continued emphasis on high-quality, low-risk liquid instruments. The ratio of liquid assets to total assets, at 11%, remains at appropriate levels.

The net loan portfolio consolidated its role as the main driver of asset growth, increasing by USD 7,209.0 million (+7.80%) to USD 99,613.0 million. This expansion was led by the external portfolio, which grew by USD 5,459.7 million (+17.43%), while the domestic portfolio posted more moderate growth of USD 1,749.4 million (+2.86%), in line with domestic economic activity. This dynamic reflects stronger regional intermediation and greater selectivity in local credit origination. Nonetheless, the marked contrast between external and domestic portfolio growth highlights an active geographic diversification strategy in credit operations. While strategic, this trend requires continuous strengthening of origination standards, risk analysis, and monitoring, to preserve consistent credit quality across all jurisdictions in which institutions operate.

The net investment portfolio reached USD 33,672.3 million, increasing by USD 1,323.2 million (+4.09%). This expansion reflects a prudent rebalancing of treasury positions, with a bias toward liquid, low-risk instruments in an environment that remains volatile. Meanwhile, other assets increased by 4.65%, reaching USD 7,882.5 million, driven by higher balances in tax and operating assets, both domestic and external.

On the liability side, deposits remained the primary funding source, totaling USD 113,158.2 million (+7.03%). Within this category, domestic deposits increased by USD 2,378.5 million (+3.67%), while external deposits rose by USD 5,057.4 million (+12.35%), reaffirming the IBC's attractiveness as a regional hub for capital, particularly of corporate and wealth-related origin. The deposit-total-assets ratio stood at 71.3%, while external deposits accounted for 40.7% of total deposits, increasing exposure to potential shocks and the volatility of cross-border capital flows. Although the growing geographic diversification of the deposit base strengthens the IBC's competitive position as a regional financial center, maintaining funding stability across stress scenarios will require enhanced monitoring of depositor and jurisdictional concentration, with a focus on resilience to potential reversals in cross-border flows.

Financial obligations increased to USD 22,296.5 million (+13.83%), reflecting a funding diversification strategy, particularly through external wholesale debt. In a high-interest rate environment, this increase implies greater sensitivity to interest rate risk, underscoring the importance of actively managing the maturity and rate structure of both assets and liabilities.

Equity stood at USD 18,571.4 million, registering a marginal increase of USD 1.2 million (+0.01%). This dynamic reflects minor movements in earnings and valuations; nevertheless, solvency indicators remain within prudential ranges, consistent with the system's aggregate risk exposure.

August 2025 data confirm the structural strength of the IBC and its capacity to adapt in a challenging international financial environment. Balanced growth in productive assets, together with a diversified funding structure and a solid capital framework, supports a stable outlook. The system's fundamentals remain robust, with indicators reflecting prudent management amid a complex operating environment. Nevertheless, it will be critical to:

1. Adequately manage credit and concentration risks stemming from the accelerated expansion of the external loan portfolio.
2. Sustain competitive funding conditions and actively manage funding and interest rate risks associated with greater reliance on external deposits and wholesale liabilities in a high-interest rate environment.
3. Preserve credit quality, particularly in the face of potential signs of economic deceleration in the region.
4. Actively monitor leverage levels and ensure that the capital base evolves in line with risk exposure, in order to strengthen the system's loss-absorption capacity and preserve capital soundness. Effective coordination between asset growth and capital strengthening remains a fundamental pillar for the sustainability of the business model.

F. Credit

As of the end of August 2025, the gross domestic loan portfolio of the National Banking System (NBS) amounted to USD 64,704.8 million, registering year-over-year growth of 2.6% (USD +1,625.8 million). While this performance remains positive, it reflects moderation compared to the pace observed in previous months, suggesting a loss of momentum in credit activity. This deceleration may be associated with more subdued demand and the lagged effects of the disruptions experienced during the second quarter, even though those events have already concluded.

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

Sector	2024 August	2025 August	Δ absolute USD	Δ relative %
TOTAL	**63,079.0**	**64,704.8**	**1,625.8**	**2.6%**
Public sector	**1,993.9**	**2,226.8**	**232.8**	**11.7%**
Private sector	**61,085.1**	**62,478.0**	**1,392.9**	**2.3%**
Financial and insurance act.	2,142.5	1,930.8	-211.7	-9.9%
Agriculture	537.3	593.3	56.0	10.4%
Livestock	1,275.5	1,304.8	29.3	2.3%
Fishing	93.0	84.7	-8.2	-8.8%
Mining and Quarrying	40.8	40.4	-0.4	-0.9%
Commerce	13,090.6	13,905.1	814.5	6.2%
Industry	4,078.1	4,018.1	-60.0	-1.5%
Mortgage	20,911.5	21,341.7	430.2	2.1%
Construction	4,922.6	4,554.5	-368.1	-7.5%
Personal Consumption	13,993.3	14,704.6	711.3	5.1%

Source: General License banks

The public sector maintained a solid pace of expansion, with an increase of 11.7% (USD +232.8 million), reflecting higher execution of public spending and investment financed by general license banks.

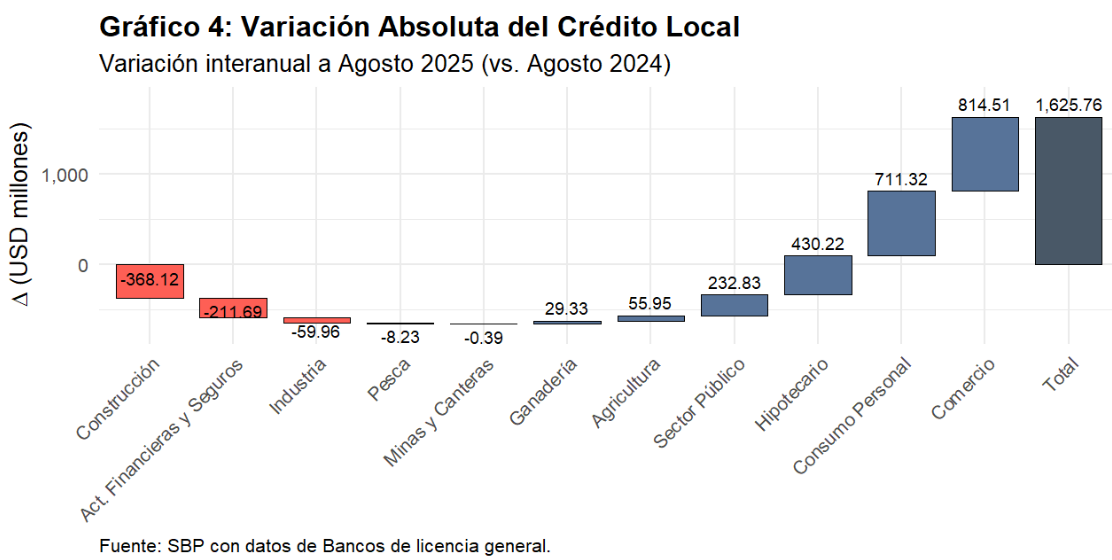
From a sectoral perspective, agricultural credit led relative growth within the private sector, rising 10.4% (USD +56.0 million), driven by favorable market conditions and public support programs. In absolute terms, the trade sector accounted for most of the increase, growing by USD +814.5 million (+6.2%), in line with the recovery of domestic demand and higher inventory turnover.

Personal consumer lending also showed positive performance, increasing by USD +711.3 million (+5.1%), while in the mortgage segment expanded by USD +430.2 million (+2.1%), reflecting resilience in housing finance. In contrast, the industrial sector recorded a contraction of 1.5% (USD 60.0 million).

On the other hand, the construction loan portfolio declined by 7.5% (USD 368.1 million), affected by lower execution of private projects and a still challenging environment for new investments. Declines were also observed in fishing (8.8%), financial and insurance activities (9.9%), and mining and quarrying (0.9%), reflecting persistent weaknesses or limited specialization in these segments.

In terms of concentration, the four most relevant sectors—mortgages, personal consumption, commerce, and industry—represent approximately 86% of the total domestic loan portfolio, reinforcing the importance of monitoring their performance in light of potential changes in macroeconomic, regulatory, or market conditions.

Graph 4: Absolute variation of domestic credit
Interannual Variation August 2025 (vs August 2024)



Source: General License banks SBP data

New Loans

As of August 2025, the National Banking System (SBN) recorded cumulative new loan disbursements totaling USD 9,811.8 million, representing an increase of USD 1,857.4 million (+23.3%) compared to the same period of the previous year. This performance consolidates the recovery observed since mid-year, despite a still challenging macroeconomic environment and following episodes of sectoral disruption during the second quarter.

Table 5: New loans granted by the SBN
(In millions of USD)

Activities	Cumulative Jan-Aug 2024	Cumulative Jan-Aug. 2025	Absolute Abs.	Relative %
Public sector	89.5	579.1	489.6	546.8%
Financial companies	439.7	736.0	296.3	67.4%
Agriculture (including forest)	92.5	75.3	-17.2	-18.6%
Livestock	130.9	148.4	17.5	13.4%
Fishing	19.8	18.6	-1.3	-6.5%
Mines and quarries	1.8	1.5	-0.3	-18.2%
Commerce (including services)	4,123.1	5,371.9	1,248.7	30.3%
Industry	1,059.7	946.4	-113.4	-10.7%
Mortgage	463.3	479.3	16.1	3.5%
Construction	431.3	453.4	22.0	5.1%
Personal consumption	1,102.7	1,002.0	-100.7	-9.1%
Total	7,954.5	9,811.8	1,857.4	23.3%

Source: General License banks SBP data

As of August 2025, the National Banking System (SBN) recorded cumulative new loan disbursements totaling USD 9,811.8 million, representing an increase of USD 1,857.4 million (+23.3%) compared to the same period of the previous year. This performance consolidates the recovery observed since mid-year, despite a still challenging macroeconomic environment and following episodes of sectoral disruption during the second quarter.

The expansion was led by the commercial sector (including services), which accounted for more than 67% of the total absolute increase (USD +1,248.7 million; +30.3% year-on-year), reflecting a reactivation of business activity. Significant growth was also observed in lending to public entities (+546.8%), likely associated with investment initiatives and public spending executed during the second half of the period.

In contrast, several key sectors recorded contractions. Financing to agriculture declined by 18.6%, while lending to industry and personal consumption decreased by 10.7% and 9.1%, respectively. These developments may reflect more subdued demand conditions, heightened risk aversion by financial institutions, or tighter credit standards in segments more exposed to cyclical volatility. Construction lending, for its part, posted a modest increase of 5.1%, remaining below pre-disruption levels observed prior to the second-quarter closures.

This mixed performance points to a partial recovery in credit intermediation, with a stronger emphasis on business-related sectors, while segments more sensitive to domestic consumption and primary production continue to exhibit signs of weakness.

- **Credit Risk:**

As of August 2025, quality indicators for the National Banking System (SBN) reflected a slight improvement in credit risk levels. The non-performing loan ratio stood at 1.51%, representing a decline of 8 basis points from the 1.59% recorded in the same month of the previous year. Similarly, the past-due loan ratio decreased from 2.35% to 2.23%, confirming a gradual moderation in payment arrears.

Assessing the adequacy of loan-loss provisions during the remainder of the second semester will be critical to preserving the resilience of the banking system. In line with IFRS 9 guidelines and Basel Committee on Banking Supervision (BCBS) principles, it is recommended that institutions review the macroeconomic assumptions embedded in their Expected Credit Loss (ECL) models and apply more stringent stress scenarios. This approach will help validate the system's loss-absorption capacity under a potentially more adverse environment.

While the need to maintain prudent credit origination practices and strengthen early-warning systems remains, supervisory attention should focus on ensuring that provisioning levels, particularly for Stage 1 and Stage 2 portfolios, are fully aligned with underlying latent risks. Insufficient coverage could lead to the accumulation of unrecognized impairments, ultimately undermining the soundness and transparency of the financial system.

Although asset quality has remained relatively stable, the cyclical environment and the moderation in credit activity heighten the importance of reinforcing coverage levels, especially for exposures classified under IFRS 9 Stages 1 and 2. Maintaining a conservative provisioning policy is therefore essential to mitigate risk accumulation and preserve confidence in the overall robustness of the system.

Additionally, strict discipline in credit origination and continued enhancement of internal monitoring frameworks will remain key differentiating factors between institutions with proactive risk management practices and those more vulnerable to the potential materialization of credit deterioration within their loan portfolios.

G. Deposits

As of August 2025, the International Banking Center (IBC) recorded total deposits of USD 113,158.2 million, representing a year-on-year increase of 7.0% (USD +7,435.9 million). This performance was driven primarily by the external segment, which accounted for nearly 68% of the net increase, raising the share of international funding to 40.7% of total deposits (from 38.7% in 2024). This trend further reinforces the structural role of external funding within Panama's banking model.

From a funds utilization perspective, the system continues to exhibit high efficiency at the domestic level. The Domestic Credit-to-Domestic Deposits ratio stood at 96.3%, indicating an almost full deployment of local funding to support domestic economic activity. In contrast, external credit represents 80.5% of external funding, suggesting ample headroom for further expansion of regional intermediation.

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

Accounts	2024 August	2025 August	Var. Aug. 25 / Aug. 24 Absolute	%
TOTAL DEPOSITS	**105,722.3**	**113,158.2**	**7,435.9**	**7.0%**
Domestic	**64,771.7**	**67,150.2**	**2,378.5**	**3.7%**

Government	12,259.7	10,719.2	-1,540.4	-12.6%
Customer	49,494.3	53,263.8	3,769.5	7.6%
Banks	3,017.7	3,167.2	149.5	5.0%
Foreign	**40,950.6**	**46,008.0**	**5,057.4**	**12.3%**
Government	294.3	238.4	- 55.9	-19.0%
Customers	31,331.8	36,736.5	5,404.7	17.2%
Banks	9,324.5	9,033.1	- 291.4	-3.1%

Source: General and International License banks.

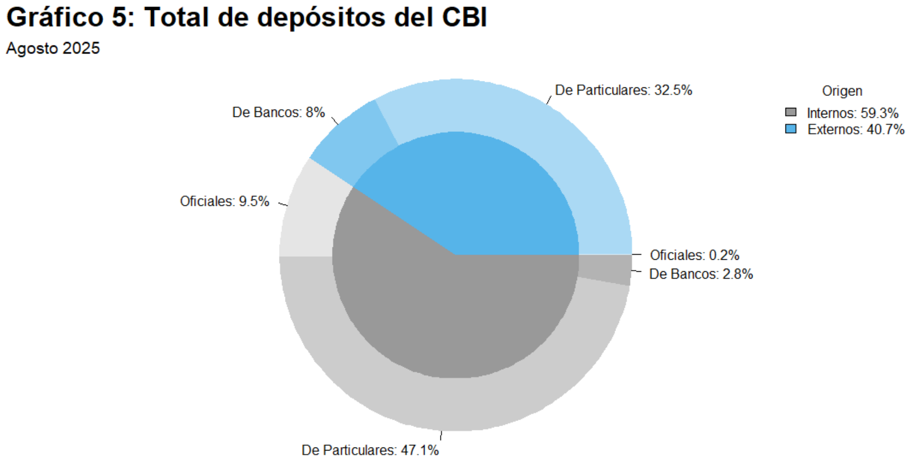
Across both segments, retail deposits remained the main driver of growth. Domestic retail deposits increased by 7.6% (USD +3,769.5 million), while non-resident retail deposits rose by 17.2% (USD +5,404.7 million), reflecting sustained depositor confidence in the soundness of Panama's financial system.

Domestic deposits totaled USD 67,150.2 million (+3.7% year-on-year), supported by growth in deposits from individuals and banks. In contrast, domestic official deposits declined by 12.6%, reaching USD 10,719.2 million, possibly reflecting tighter public-sector liquidity conditions or adjustments in treasury placement strategies. Meanwhile, deposits from domestic banks increased by 5.0%, amounting to USD 3,167.2 million.

External deposits reached USD 46,008.0 million, posting a year-on-year expansion of 12.3% (USD +5,057.4 million). Growth was led by non-resident retail deposits, which totaled USD 36,736.5 million following a 17.2% increase. By contrast, foreign bank deposits declined by 3.1%, while external official deposits fell by 19.0%, to USD 238.4 million.

Currently, external funding accounts for approximately 40.7% of total system deposits, confirming its strategic relevance within the IBC's liability structure. This profile underscores the need for ongoing monitoring of risks associated with international liquidity conditions and potential shifts in country-risk perception or the regional financial environment.

Graph 5: Total Deposits of the IBC
August 2025

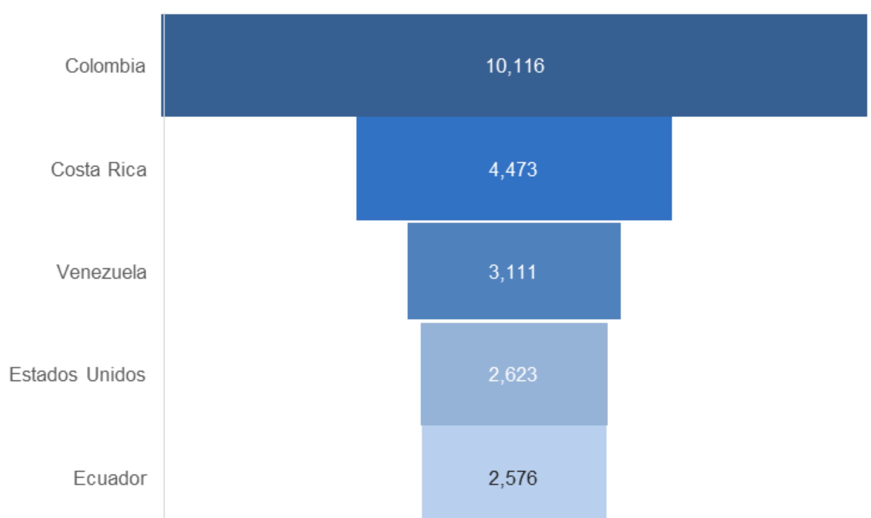


Source: General license banks.

Source of External Deposits

The sustained growth in external funding within the International Banking Center, reflected in a 12.3% year-on-year increase (USD +5,057 million) in external deposits, signals strengthening confidence in the soundness, stability, and structural attractiveness of Panama's financial center. This expansion further consolidates IBC's positioning as a strategic hub within the regional financial system.

Graph 6: External Deposits by main countries
August 2025
US million



Source: General and International license banks.

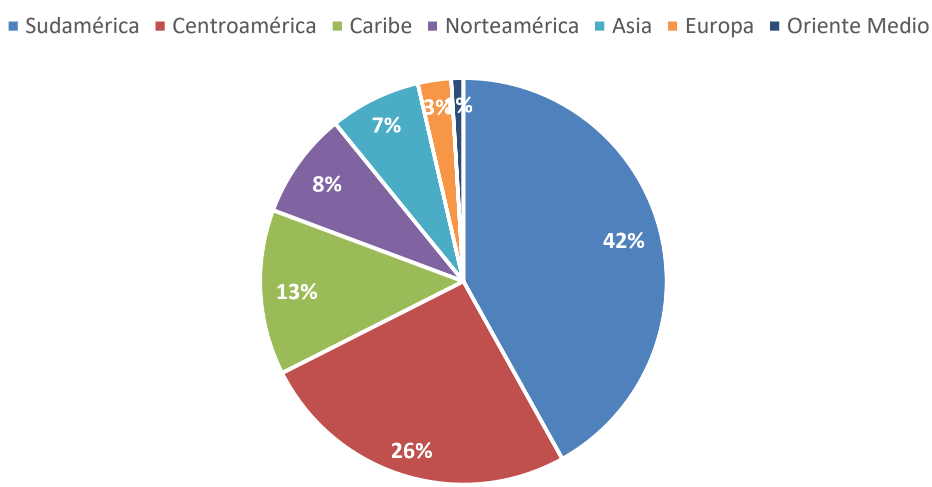
An analysis by source of origin shows that this dynamism is driven primarily by non-resident individuals, suggesting a growing preference for Panama as a destination for regional capital seeking safe-haven characteristics, diversification, and yield. Recent developments reaffirm the role of the IBC as an offshore financial intermediation platform, strengthening its network of linkages with neighboring economies and enhancing its capacity to attract funding in a more demanding global environment.

1. The relationship with Colombia continues to deepen, reaffirming its position as the IBC's main strategic partner. Panama attracted an additional USD 2,147 million in Colombian capital (+26.9%), consolidating its status as the preferred destination for fund management and deposit safekeeping in the region, with a 22.0% share of total foreign deposits.

2. Costa Rica provides compelling evidence of the IBC's growing appeal. With an exceptional 95.9% increase in deposits (a net inflow of USD 2,189 million), Costa Rica emerged as the second most important funding partner within the system. These capital inflows reflect a clear preference for the security, efficiency, and sophistication of Panama's banking system for the management of large-scale corporate and institutional funds.

3. Beyond Colombia and Costa Rica, Venezuela, the United States, and Ecuador complete the group of the five main countries of origin (see Chart 6 – External deposits by main countries), jointly contributing nearly 19% of total external deposits. This concentration highlights that, while the IBC maintains strategic relationships with a broad range of regional and global counterparts, a significant share of funding originates from a limited number of key countries, underscoring the importance of monitoring geographical diversification and its implications for the stability of the IBC.

Graph 7: External Deposits by region
August 2025



Source: General and International license banks.

The pie chart (see Chart 7 – External deposits by region) illustrates the regional distribution of external deposits, highlighting a high concentration in South America, Central America, and the Caribbean. South America represents the largest source region, accounting for 42% of total external deposits, followed by Central America (26%) and the Caribbean (13%), underscoring the central role of Latin America and the Caribbean in international funding. Other regions, North America (8%), Asia (7%), Europe (3%), and the Middle East (1%)—have smaller shares but nonetheless contribute to the geographical diversification of system resources.

This strengthening of ties with key partners has occurred alongside a regional consolidation of funds. The USD 911 million decline in the aggregate category of “Other Countries”, together with a moderate outflow of USD 121 million from Europe, suggests a “flight-to-quality” dynamic, in which the IBC emerges as a clear beneficiary, attracting capital in search of stability and predictability.

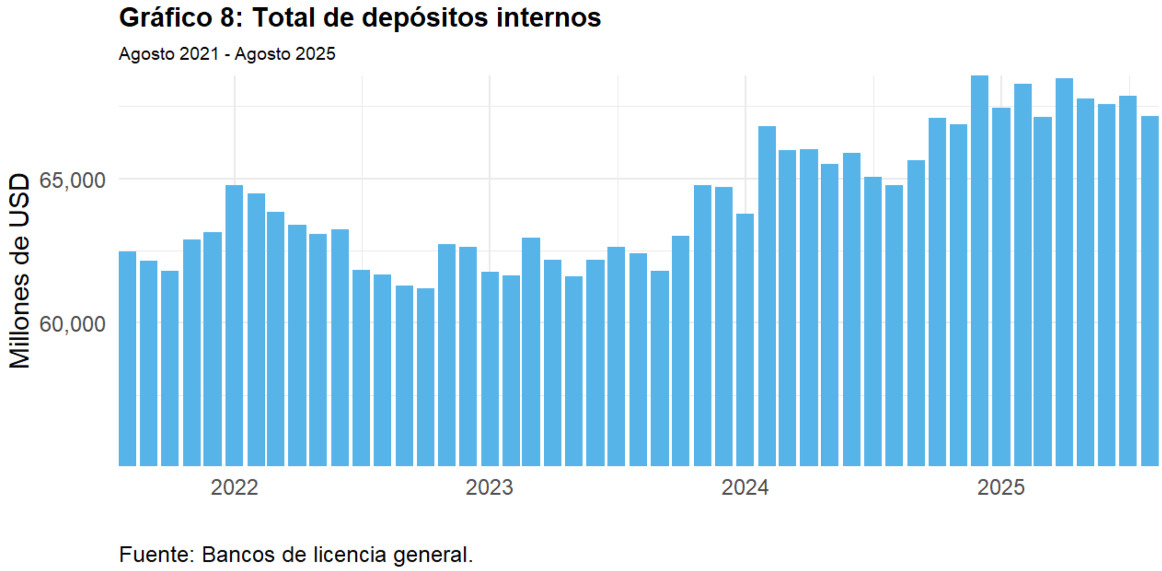
In sum, the composition of external funding growth provides clear validation of Panama’s role as the region’s leading financial center. IBC’s ability to attract significant and stable capital flows, particularly from its closest partners, reinforces the perception of soundness, confidence, and predictability projected by the banking center in a complex global environment.

Maturity Structure of Retail Deposits

From a financial stability perspective, the expansion of the deposit base reflects sustained confidence among both domestic and international depositors. Nevertheless, risks related to global volatility, monetary tightening in advanced economies, and potential regulatory adjustments persist. In this context, preserving the IBC’s resilience will require strengthening institutional credibility, reinforcing prudential supervision, and consolidating regulatory frameworks that enable effective management of counterparty concentration, funding costs, and maturity profiles.

Chart 8 illustrates the evolution of domestic deposits in the IBC over time, reflecting stable depositor behavior. The retail deposit base not only evidence confidence in the banking center but also plays a key role in sustaining liquidity. A broad and stable deposit base allows institutions to manage short-term obligations more efficiently and to support longer-term financing and investment activities.

Graph 8: Total Domestic deposits
August 2021 – August 2025



Source: General License banks.

Recent developments in the deposit structure confirm the funding strength of the International Banking Center. As of August 2025, domestic retail deposits accounted for approximately 79.3% of total domestic deposits (USD 53,263.8 million out of USD 67,150.2 million), consolidating residents' preference for banks as a vehicle for liquidity preservation and savings. This composition supports a more stable funding profile and reduces the IBC's exposure to adverse conditions in international capital markets.

Time deposits continue to consolidate their role as the primary funding instrument. On a year-on-year basis, they increased by 11.8% in the domestic segment (USD +3,306.4 million) and by 12.6% in the external segment (USD +2,858.5 million), reinforcing their function as a pillar of structural stability.

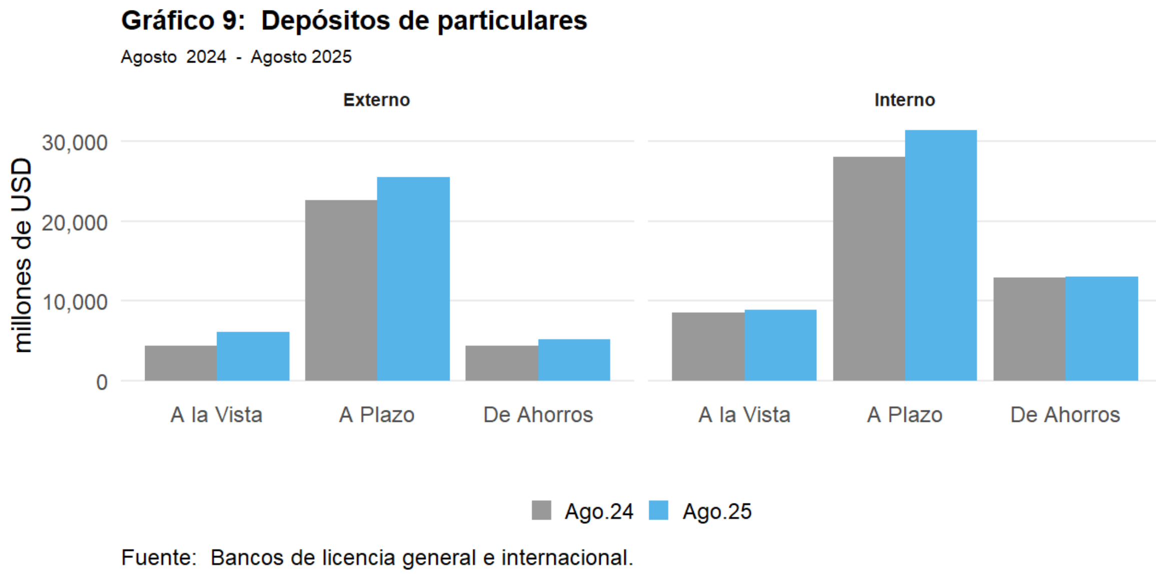
Time deposits accounted for approximately 82.6% of total net deposit growth (USD 6,164.9 million out of USD 7,435.9 million), consolidating their position as the main driver of funding expansion, albeit with a direct impact on funding costs. This trend, combined with higher international interest rates and the growth of alternative funding sources, points to structural upward pressure on funding costs, with potential implications for intermediation margins unless accompanied by effective asset repricing strategies.

Demand deposits showed a mixed performance. In the domestic segment, they increased by 3.6% (USD +310.7 million), while in the external segment they recorded a more pronounced expansion of 40.4% (USD +1,757.1 million), reflecting stronger demand for high-liquidity instruments for both operational and corporate treasury purposes.

Savings deposits also posted positive results. In the domestic segment, they grew by 1.2% (USD +152.4 million), while external savings deposits expanded by 18.4% (USD +789.1 million). This performance suggests an increasing role for this instrument within the funding mix, supported by its lower relative cost and greater stability.

The current mix of fixed, demand, and savings deposits enables the IBC to maintain a relatively diversified and balanced funding structure. In the context of global monetary normalization and heightened competition for liquidity, this configuration mitigates maturity mismatches and allows for more efficient management of the marginal cost of liabilities.

Graph 9: Customer Deposits
August 2024 – August 2025



Source: General and International license banks.

Going forward, active management of the funding structure, based on staggered maturities, diversification of counterparties, and optimized pricing, will be key to preserving structural liquidity, sustaining risk-adjusted profitability, and strengthening the resilience of local banks.

The current composition of time deposits, demand deposits, and savings instruments allows CBI to maintain a relatively diversified and balanced funding structure. Going forward, active management of this structure will be crucial. This involves not only managing the deposit mix but also optimizing the marginal cost between deposits and liabilities, which have grown at a faster pace.

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).

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