Superintendencia de Bancos de Panamá

# Banking Activity Report

# December 2024

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## Executive Summary

As of December 2024, the International Banking Center (CBI) of Panama has maintained consistent operational and financial performance, a result of prudent management and a remarkable ability to adapt to a complex global and domestic economic environment. Financial soundness indicators—highlighted by a high liquidity ratio and a risk-adjusted Capital Adequacy Ratio exceeding regulatory minimums—confirm strict compliance with prevailing prudential regulations. Consequently, the CBI has established itself as a stabilizing force within Panama's financial system, reinforcing the confidence of depositors and investors while positioning itself as a regional benchmark for effective risk management in times of uncertainty.

**I. Financial Soundness Indicators:**

As of December 2024, the Panamanian banking sector maintained a solid position, combining an average liquidity ratio of 54.29%, well above regulatory minimums, with ample capitalization levels, evidenced by a risk-adjusted Capital Adequacy Ratio of 15.29% within the CBI. These indicators enable banking institutions to absorb financial shocks and effectively manage market volatility, strengthening operational stability in a challenging macroeconomic environment.

**II. Balance Sheet:**

As of December 2024, the CBI recorded net assets of USD 156,392.8 million, representing a year-on-year growth of 6.0%. This increase is largely driven by the expansion of the net credit portfolio (up 9.1%) and diversification in securities investments (up 7.0%). The 4.1% reduction in net liquid assets reflects a resource reallocation strategy toward productive assets, enhancing profitability while requiring constant monitoring to maintain liquidity strength. Within the National Banking System (SBN), total assets grew by 7.1%, reaching USD 140,385 million, supported by similar growth in the loan portfolio, reinforcing the system's capital position.

**III. Income Statement:**

The CBI's operational performance resulted in profits of USD 2,939 million in December 2024, marking 8.2% year-on-year growth. This positive outcome is supported by a diversified revenue stream: net interest income increased by 1.8%, while other income grew by 11.7%. However, an 18.12% increase in operating expenses, including deposit-related payments—has put pressure on Net Intermediation Margin (NIM), which slightly declined to 2.69% from 2.78% the previous year. Within SBN, cumulative net profits reached USD 2,470.6 million, reflecting a 12.1% increase, demonstrating continued diversification of revenue sources and effective operational cost management.

**IV. Profitability Indicators:**

Key profitability indicators remain at positive levels: Return on Equity (ROE) stands at 16.59%, while Return on Assets (ROA) is at 1.93%. These results reflect efficient capital utilization and operational effectiveness, which, despite the compression of the NIM, help offset margin pressures. It is essential for institutions to continue diversifying their revenue sources and optimizing funding structures to sustain these indicators in a volatile interest rate environment.

**V. Credit:**

In terms of credit evolution, the gross domestic credit portfolio of the National Banking System (SBN) grew by 4.9%, reaching USD 63,586 million as of December 2024. This growth was driven by key segments: commerce, industry, and agriculture, which recorded increases of 7.9%, 8.1%, and 19.1%, respectively. However, sectors such as fishing, mining, and construction experienced contractions, highlighting structural challenges in certain areas. In corporate lending, heterogeneous growth underscores the need to diversify and strengthen risk management. Meanwhile, household credit increased by 3.5%, supported by growth in consumer loans, vehicle financing, personal loans, and notably, credit card lending. Credit quality has shown improvements: the past-due loan portfolio decreased to 2.2%, while delinquency declined to 1.51%. These advancements are positive, but exposure to specific sectors and interest rate dynamics require continuous monitoring to prevent deterioration in credit quality.

**VI. Deposits:**

Deposit collection remains the cornerstone of banking funding. Within the International Banking Center (CBI), total deposits reached USD 110,484.5 million as of December 2024, reflecting a 5.1% year-on-year growth. This increase was driven by a 5.8% rise in domestic deposits and a 4.0% increase in external deposits. The strong performance of private deposits stands out, while official deposits have shown slight contractions. In SBN, total deposits grew by 6.8%, reaching USD 98,517.8 million, consolidating a diversified funding base that reinforces confidence in the system. Source diversification is crucial, especially in an environment where the absence of a central bank increases reliance on international capital flow. Therefore, maintaining a solid and diversified deposit base is essential to mitigate volatility risks and ensure medium- and long-term stability.

## VII. Conclusions:

As of December 2024, the International Banking Center (CBI) of Panama has maintained consistent operational and financial performance, a result of prudent management and a remarkable ability to adapt to a complex global and domestic economic environment. Financial soundness indicators—highlighted by a liquidity ratio nearly twice the regulatory requirement and a risk-adjusted Capital Adequacy Ratio exceeding minimum regulatory thresholds—confirm strict compliance with prevailing prudential regulations. Consequently, the CBI has solidified its position as a stabilizing force within Panama's financial system, reinforcing the confidence of depositors and investors and establishing itself as a regional benchmark for effective risk management in an uncertain landscape.

## A. Liquidity

As of December 2024, the Panamanian banking sector has demonstrated a strong operational position, as evidenced by an average liquidity ratio of 54.29%, a figure that exceeds the minimum regulatory requirements.

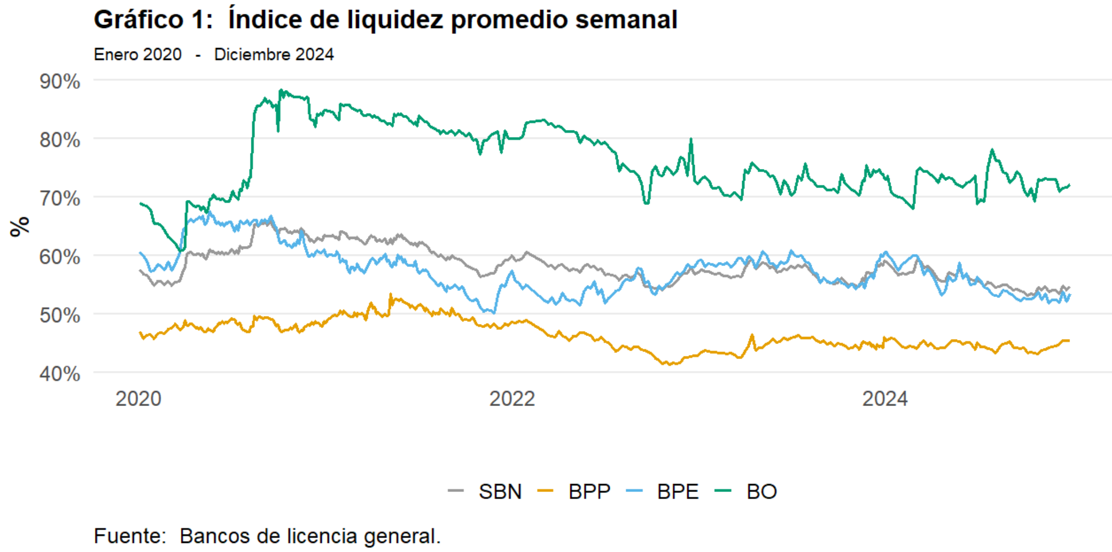
Banks in the system have historically maintained robust liquidity buffers, supported by consistent access to both structural and wholesale deposits, which continue to be key components of their funding structure. While wholesale deposits offer cost advantages, they also carry inherent volatility risks, particularly during periods of economic uncertainty. This underscores the need for a diversified and proactive liability management approach. In contrast, retail deposits help mitigate exposure to the volatility typically associated with wholesale deposits but require banks to maintain strong relationships with their customer base and implement careful management strategies.

Institutions operating within the International Banking Center (CBI) are subject to regulatory provisions aligned with Basel III standards. In particular, the Liquidity Risk Indicator, designed to assess funding capacity under emergency scenarios with a 30-day horizon, shows that Panamanian banks maintain levels well above the minimum requirements. This is due to prudent management of asset and liability maturities, a diversified funding structure, and the high quality of their assets. Additionally, compliance with Basel III requirements provides the banking system with a strong capital structure, enabling it not only to effectively manage short-term liquidity but also to mitigate the risk of structural imbalances in a globally volatile environment.

Currently, the banking system comfortably meets the requirements of the Liquidity Coverage Ratio (LCR), with an average well above the regulatory threshold. This level of compliance reinforces the sector's ability to withstand potential financial market stress. Although interest rates have begun to decline, easing some funding cost pressures, it will be crucial for banks to adjust their strategies to capitalize on this monetary easing environment in developed economies. At the same time, they must maintain prudent management practices to ensure healthy financial margins and adequate liquidity.

The resilience of the system against potential external shocks will depend on its ability to sustain these liquidity buffers at optimal levels, ensuring operational sustainability and responsiveness in the medium and long term.

**Graph 1: Weekly Average Liquidity Ratio**
**January 2020 – December 2024**




**Source:** General license banks.

## B. Solvency

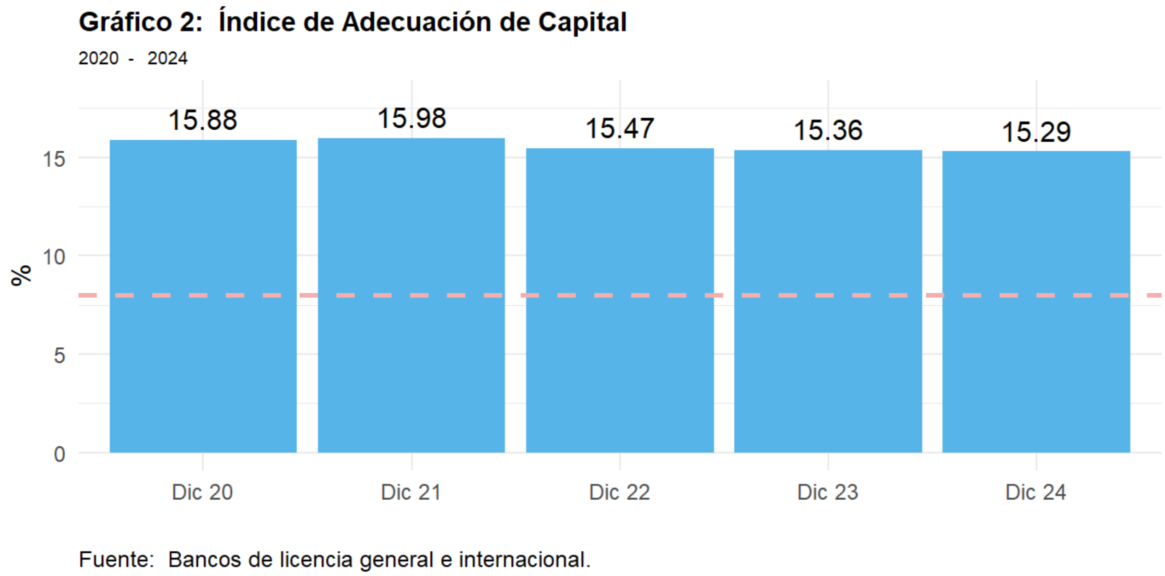
The Capital Adequacy Ratio (CAR) of banks operating within Panama's International Banking Center (CBI) has maintained adequate solvency levels, consistently remaining above the regulatory minimum of 8%. As of December 2024, the risk-adjusted CAR stood at 15.29% (see Chart 2), which comfortably exceeds the regulatory threshold and reflects a robust capacity to absorb financial shocks in a volatile economic environment. This level of capitalization provides a sufficient buffer to mitigate unexpected losses, thereby supporting the stability of the banking system.

CAR's evolution in recent years has shown a stable trend, fluctuating within a narrow range (15.36% - 15.98%), indicating prudent capital management by CBI institutions. This stability is particularly significant in the face of global and domestic macroeconomic pressures, where maintaining adequate capital levels is crucial to preserving market confidence and financial resilience.

Looking ahead, proactive risk-weighted asset (RWA) management and the implementation of dynamic capitalization strategies will be essential to sustaining solvency in an uncertain environment. Additionally, CBI banks must remain vigilant to external risks, including changes in global macroeconomic conditions and financial market volatility. These factors could impact capital stability, particularly if adverse scenarios materialize within the local real economy. Continuous risk monitoring and the adoption of preventive measures will therefore be critical to ensuring the sustainability of capitalization levels and the solvency of the banking system in the medium and long term.

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

**Graph 2: Capital Adequacy Ratio**
**2020 - 2024**




**Source:** General and international license banks.

### C. Balance Sheet

As of December 2024, the International Banking Center (CBI) recorded robust growth in its balance sheet structure, reaching total net assets of USD 156,392.8 million, representing a year-over-year expansion of USD 8,861.7 million or 6.0%. This growth is the result of a strategy aimed at optimizing returns on productive assets, supported by an efficient allocation of capital and prudent financial risk management, which has strengthened the solidity of its capital structure and improved its funding base.

The main driver of this expansion was the net loan portfolio, which recorded a 9.1% year-over-year increase, reaching USD 95,186.7 million. Within this segment, the external loan portfolio recorded a remarkable growth of 17.1%, reaching USD 33,537.0 million, which denotes a geographic diversification strategy in the placement of credit assets. Meanwhile, the domestic loan portfolio maintained solid growth of 5.3%, reaching USD 61,649.7 million, consolidating itself as the key structural component of the credit portfolio. However, greater exposure to external markets introduces additional regulatory and macroeconomic risks, which require continuous monitoring and appropriate mitigation strategies.

From the perspective of the balance sheet composition, net investments in securities grew by 7.0%, reaching USD 34,193.4 million, reflecting a capital allocation strategy focused on optimizing risk-adjusted returns. In contrast, net liquid assets decreased by 4.1%, reaching USD 19,629.2 million, which may indicate a reallocation of resources toward more productive assets. Nevertheless, this reduction in liquidity requires careful management to mitigate potential financial shocks and maintain a balanced risk profile in the current market environment.

In the liabilities segment, deposits continue to be the main source of funding for the CBI, reaching USD 110,484.5 million, with a 5.1% year-over-year growth. Within this category, domestic deposits grew by 5.8%, while external deposits expanded by 4.0%, demonstrating a diversified funding strategy. In line with the funding strategy, financial obligations increased by 11.6%, reaching USD 23,254.9 million, reflecting greater leverage through wholesale funding. This increase in financial liabilities could be the result of a cost-optimization strategy in an environment of continuously adjusting interest rates.

The equity of the CBI recorded 6.3% growth, reaching USD 18,254.4 million, slightly exceeding the total asset expansion rate (6.0%). This capital strengthening improves solvency indicators and reinforces the banking system's capacity to absorb adverse financial shocks, ensuring greater long-term stability. The strong equity position also reflects a prudent risk management policy, aligned with international regulatory standards and best practices in the financial sector.

From a macroeconomic perspective, the global environment continues to be characterized by a slowdown in economic growth and the possibility of monetary policy adjustments by the U.S. Federal Reserve (FED). These factors could generate pressures on funding costs, affect interest rate competitiveness, and present additional challenges for raising funds in international markets. Maintaining a flexible funding strategy and active risk management will be key to preserving stability and profitability in an environment of financial volatility and changing market conditions.

In general terms, CBI's performance in December 2024 reaffirms its capacity to efficiently manage its balance sheet, maintaining a focus on profitability without compromising financial stability. However, the ongoing assessment of the global outlook and the implementation of adjustment strategies will be fundamental to mitigating emerging risks and capitalizing on opportunities within an evolving market environment.

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

| ACCOUNTS | Jan - Nov 2023 | Jan - Nov 2024 | Var. Dec 24 / Dec 23 Absolute | % |
|---|---|---|---|---|
| NET LIQUID ASSETS | 20,468.7 | 19,629.2 | -839.5 | -4.1% |
| NET CREDIT PORTFOLIO | 87,210.4 | 95,186.7 | 7,976.3 | 9.1% |
| Domestic | 58,573.4 | 61,649.7 | 3,076.3 | 5.3% |
| Foreign | 28,637.0 | 33,537.0 | 4,900.0 | 17.1% |
| NET INVESTMENTS IN SECURITIES | 31,960.8 | 34,193.4 | 2,232.6 | 7.0% |
| OTHER ASSETS | 7,891.2 | 7,383.6 | -507.6 | -6.4% |
| **TOTAL NET ASSETS** | **147,531.1** | **156,392.8** | **8,861.7** | **6.0%** |
| Deposits | 105,117.5 | 110,484.5 | 5,367.0 | 5.1% |
| Domestic | 64,797.7 | 68,557.5 | 3,759.8 | 5.8% |
| Foreign | 40,319.8 | 41,927.0 | 1,607.3 | 4.0% |
| OBLIGATIONS | 20,837.3 | 23,254.9 | 2,417.6 | 11.6% |
| OTHER LIABILITIES | 4,398.7 | 4,398.9 | 0.2 | 0.0% |
| CAPITAL | 17,177.6 | 18,254.4 | 1,076.8 | 6.3% |
| **LIABILITIES AND CAPITAL, TOTAL** | **147,531.1** | **156,392.8** | **8,861.7** | **6.0%** |

**Source:** General and International License banks.

Regarding the National Banking System (SBN), total assets reached USD 140,385 million in December 2024, representing an increase of USD 9,328 million or 7.1% compared to the same month of the previous year. This growth reflects a continued expansion in the asset structure, primarily driven by the increase in the net loan portfolio, which grew by 8.7% (USD 6,980 million), reaching USD 87,328 million. Within this, the external segment registered a significant increase of 17.9% (USD 3,903 million), while the domestic segment grew by 5.3% (USD 3,077 million), consolidating itself as the most relevant component of SBN's assets.

Meanwhile, net investments in securities grew by 7.8% (USD 2,130 million), reaching USD 29,283 million, while net liquid assets increased by 4.5% (USD 713 million), standing at USD 16,669 million. This variation could reflect a strategy of maintaining liquidity in balance with allocation toward more productive and higher-yielding assets. Furthermore, other assets experienced a 6.5% decrease (USD -495 million), showing strategic adjustments in the composition of the balance sheet.

In general terms, this growth in total assets underscores an efficient management of SBN's resources, with a focus on expanding productive assets and diversifying income sources. However, it will be important to monitor the evolution of other assets, given their impact on the balance sheet structure and their possible relation to adjustments in the investment and funding strategy of the banking sector.

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

| ACCOUNTS | 2023 | 2024 | Var. Dec 24 / Dec 23 Absolute | % |
|---|---|---|---|---|
| NET LIQUID ASSETS | **15,955.5** | **16,668.6** | **713.1** | **4.5%** |
| NET CREDIT PORTFOLIO | 80,348.2 | 87,328.1 | 6,979.9 | 8.7% |
| Internal | 58,573.4 | 61,650.5 | 3,077.2 | 5.3% |
| External | 21,774.8 | 25,677.5 | 3,902.7 | 17.9% |
| INVESTMENTS IN NET ASSETS | 27,153.2 | 29,282.9 | 2,129.7 | 7.8% |
| OTHER ASSETS | 7,600.3 | 7,105.2 | -495.1 | -6.5% |
| **TOTAL NET ASSETS** | **131,057.2** | **140,384.8** | **9,327.6** | **7.1%** |
| Deposits | 92,248.9 | 98,517.8 | 6,268.9 | 6.8% |
| Internal | 64,712.4 | 68,382.2 | 3,669.8 | 5.7% |
| External | 27,536.6 | 30,135.6 | 2,599.1 | 9.4% |
| OBLIGATIONS | 20,727.3 | 22,678.5 | 1,951.2 | 9.4% |
| OTHER LIABILITIES | 4,221.1 | 4,238.9 | 17.8 | 0.4% |
| CAPITAL | 13,859.9 | 14,949.6 | 1,089.8 | 7.9% |
| **LIABILITIES AND CAPITAL, TOTAL** | **131,057.2** | **140,384.8** | **9,327.6** | **7.1%** |

**Source:** General License banks.

### D. Income Statement

On the earnings side, at the end of December 2024, the International Banking Center (IBC) recorded profits of USD 2,939 million, representing a year-over-year increase of 8.2%, driven primarily by the performance of operating revenues and adequate expense management.

Profit growth is primarily driven by an increase in operating revenues, with other income being a key factor. This performance reflects greater diversification of revenue sources, which strengthens the operational resilience of the banking system in an environment characterized by still-high interest rates. In this context, net interest income grew 1.8%, reaching USD 3,466.4 million, suggesting conservative but effective management of earning assets.

It is worth noting that the 11.20% increase in interest income contrasts with the 18.12% increase in operating expenses (including deposit payments), demonstrating greater downward rigidity in deposit rates compared to lending rates. This phenomenon reflects that, in an environment of interest rate adjustment, liabilities show less downward elasticity than assets, which translates into a compression of the net intermediation margin (NIM), as detailed in the following section. This dynamic suggests that, in the face of potential reductions in international market reference rates, deposit rates do not adjust downward with the same speed or magnitude as lending rates, generating a repricing gap. In the current context of global interest rates, it is relevant to evaluate the evolution of the funding cost structure and the sensitivity of bank margins to different rate scenarios. Managing the intermediation spread will require continuous monitoring of the repricing dynamics between assets and liabilities, especially in an environment where funding costs do not adjust as quickly as the reduction in lending rates. In this regard, optimizing the funding structure and diversifying toward non-traditional sources of income will be key factors in mitigating pressures on profitability and maintaining financial stability in the medium and long term.

In terms of general expenses, these grew 3.8%, reaching USD 3,345.6 million, reflecting efficient management of operating costs in an environment of technological transformation. This expense control, combined with the accelerated adoption of digital technologies, has mitigated the inflationary impact and generated greater operating efficiencies. Furthermore, these advanced technologies are strengthening cybersecurity, consolidating the sustainability and competitiveness of the banking sector in the medium and long term.

A key aspect is the management of provisions, which increased by 14.5% to USD 582.7 million. This increase reflects a prudent provisioning policy to mitigate credit risks, ensuring preparedness for potential deteriorations in asset quality.

Going forward, CBI institutions must prioritize digitalization strategies, revenue diversification, and strengthening asset quality indicators. The system's ability to adapt to changes in economic and market conditions will be decisive in maintaining a controlled risk profile.

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

| ACCOUNTS | Jan - Nov 2023 | Jan - Nov 2024 | Var. Dec 24 / Dec 23 Absolute | % |
|---|---|---|---|---|
| C. Net interest income | 3,403.6 | 3,466.4 | 62.8 | 1.8% |
| D. Other income | 3,044.4 | 3,400.9 | 356.5 | 11.7% |
| E. Operating income | 6,448.0 | 6,867.3 | 419.3 | 6.5% |
| F. General Expenses | 3,222.1 | 3,345.6 | 123.5 | 3.8% |
| G. Profit before provisions | 3,225.8 | 3,521.7 | 295.9 | 9.2% |
| H. Bad debt | 508.9 | 582.7 | 73.7 | 14.5% |
| **I. Profit for the period** | **2,716.9** | **2,939.0** | **222.1** | **8.2%** |

**Source:** General License banks.

At the end of December 2024, the National Banking System (SBN) recorded accumulated net income of USD 2,470.6 million, representing a 12.1% year-over-year increase compared to the same period in 2023. This strong performance was driven by broad-based growth in operating income, which increased 7.2% year-over-year to USD 6,113.4 million. This growth was supported by a 2.6% increase in net interest income (USD 3,093.6 million) and a notable 12.4% increase in other income (USD 3,019.9 million), reflecting effective diversification of revenue sources and greater resilience in the face of a still-high-interest rate environment.

The National Bank's general expenditures registered a moderate increase of 3.9%, reaching USD 3,099.2 million, demonstrating efficient management of operating costs in a context of accelerated technological transformation. This expense control, combined with the adoption of digital technologies, has allowed the sector to mitigate inflationary pressures and improve its operating efficiency margins. Furthermore, investment in advanced technological tools has strengthened cybersecurity systems, consolidating the sector's sustainability and competitiveness in the medium and long term.

A notable aspect is the management of provisions, which increased 5.9% year-over-year, reaching USD 543.6 million. This increase reflects a prudent provisioning policy aimed at mitigating credit risks and ensuring the system's preparedness for potential deteriorations in asset quality. In this regard, earnings before provisions grew 10.9% to USD 3,014.2 million, underscoring a solid and well-structured financial strategy in a still-challenging macroeconomic environment.

Looking ahead, NBS institutions must prioritize strategies that strengthen their ability to adapt to a constantly evolving economic and regulatory environment. Digitalization, diversification of revenue sources, and strengthening asset quality indicators will be key pillars for maintaining profitability and financial stability. Furthermore, the consolidation of the banking sector could generate strategic opportunities for the largest and best-capitalized entities, allowing them to maximize economies of scale and strengthen their competitive position in an increasingly dynamic and transformative market.

In conclusion, the banks in the region have demonstrated resilience and adaptability in a complex environment, although their future performance will depend on their ability to efficiently manage credit risks, optimize their cost structures, and capitalize on the opportunities arising from digital transformation and sector consolidation.

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

| ACCOUNTS | Jan - Nov 2023 | Jan - Dec 2024 | Var. Dec 24 / Dec 23 | |
|---|---|---|---|---|
| | | | Absolute | % |
| C. Net interest income | 3,015.0 | 3,093.6 | 78.6 | 2.6% |
| D. Other income | 2,685.8 | 3,019.9 | 334.0 | 12.4% |
| E. Operating income | 5,700.8 | 6,113.4 | 412.6 | 7.2% |
| F. General Expenses | 2,983.3 | 3,099.2 | 115.9 | 3.9% |
| G. Profit before provisions | 2,717.5 | 3,014.2 | 296.7 | 10.9% |
| H. Bad debt | 513.2 | 543.6 | 30.4 | 5.9% |
| **I. Profit for the period** | **2,204.2** | **2,470.6** | **266.4** | **12.1%** |

**Source:** General License banks.

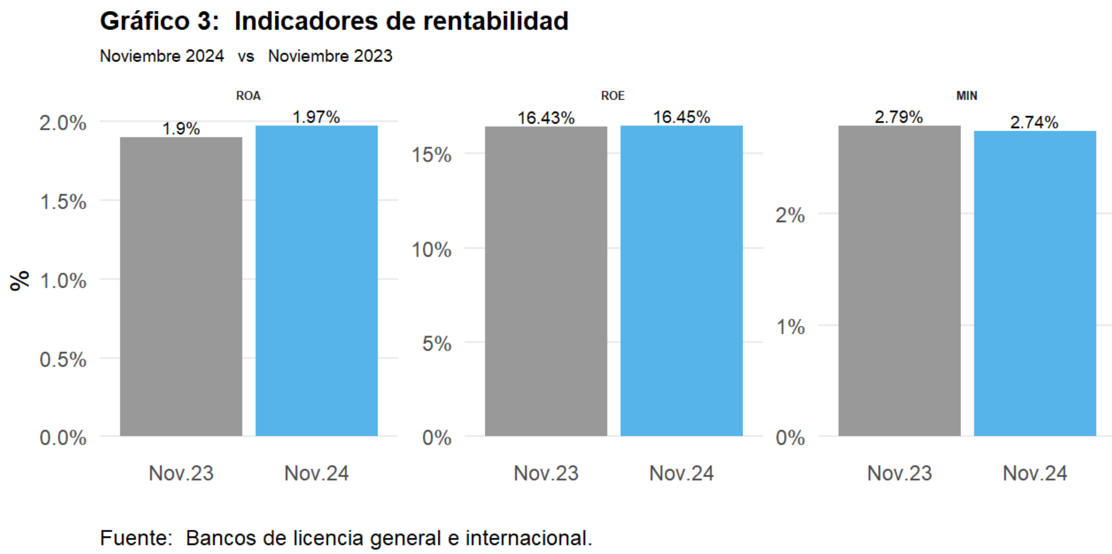
## E. Profitability indicators

In terms of profitability indicators, the trend remains favorable, reflecting effective management by banks at an aggregate level. As of December 2024, the Return on Equity (ROE) stood at 16.59%, showing a slight increase of 0.32 percentage points compared to the previous year. Meanwhile, the Return on Assets (ROA) reached 1.93%, representing an increase of 0.04 percentage points, highlighting greater efficiency in the use of assets to generate returns.

It is important to note that although profitability indicators show positive developments, the Net Interest Margin (NIM) experienced a slight decline, standing at 2.69% compared to 2.78% recorded on December 2023. This reduction reflects continued pressure on financial margins, possibly linked to interest rate competition, higher funding costs, and repricing strategies adopted by banks to sustain their profitability in a still-high-interest rate environment. The improvement in ROA and ROE despite the slight contraction in NIM suggests that institutions have managed to offset these pressures through operational efficiencies and an expansion in non-financial income. However, the compression on financial margins underscores the importance of a proactive asset and liability management strategy, especially in an environment of macroeconomic uncertainty and volatility in interest rate markets.

To mitigate this margin compression, it would be appropriate for institutions to continue diversifying their revenue sources, with a focus on value-added products, digital services, and optimization of funding structures. Furthermore, strengthening operational efficiency and controlling funding costs will remain key to sustaining the banking system's profitability. The CBI will need to remain vigilant regarding changing market conditions and the evolution of international monetary policy, given that changes in the interest rate structure could further impact funding costs and the sector's profitability.

**Graph 3: Profitability Indicators**
**December 2024 vs. December 2023**




**Source:** General and international license banks.

## F. Credit

As of the end of November 2024, the gross domestic credit portfolio of the National Banking System reached a balance of USD 63,586 million, representing a 4.9% increase compared to the same period of the previous year. This growth translates into an absolute increase of USD 2981.8 million. This performance was primarily driven by dynamism in the commercial segment and household consumption, suggesting an improvement in demand in these key areas of the credit portfolio. However, some sectors faced challenges that resulted in contractions.

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

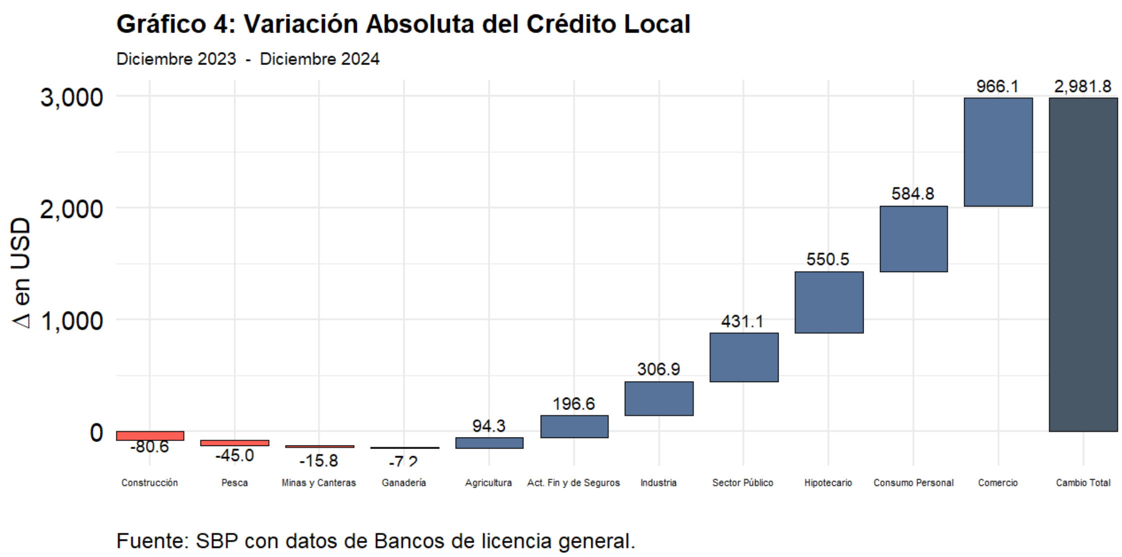
| Sector | Dec-23 | Dec-24 | Δ absolute USD | Δ relative % |
|---|---|---|---|---|
| **TOTAL** | **60,604** | **63,586** | **2,981.8** | **4.9%** |
| **Public sector** | **1,529** | **1,961** | **431.1** | **28.2%** |
| **Private sector** | **59,074** | **61,625** | **2,550.7** | **4.3%** |
| Financial and insurance act. | 1,830 | 2,027 | 196.6 | 10.7% |
| Agriculture | 494 | 588 | 94.3 | 19.1% |
| Livestock | 1,316 | 1,309 | -7.2 | -0.5% |
| Fishing | 132 | 87 | -45.0 | -34.1% |
| Mining and Quarrying | 57 | 41 | -15.8 | -27.6% |
| Commerce | 12,210 | 13,177 | 966.1 | 7.9% |
| Industry | 3,799 | 4,106 | 306.9 | 8.1% |
| Mortgage | 20,563 | 21,113 | 550.5 | 2.7% |
| Construction | 5,015 | 4,934 | -80.7 | -1.6% |
| Personal Consumption | 13,657 | 14,242 | 584.8 | 4.3% |

**Source:** General License banks SBP data

This growth is attributed to a combination of key factors, including improvements in credit conditions, increased business confidence, and a macroeconomic environment that, although less dynamic than in previous years, provides a more favorable context for the development of credit activities.

However, some sectors faced contractions. Fishing registered a 34.1% decline, equivalent to a USD 45 million reduction, affected by adverse weather conditions and structural limitations specific to the sector. Similarly, the mining and quarrying segment fell 27.6%. Construction also showed negative performance, with a 1.6% drop, reflecting the persistent challenges in the recovery of the real estate and infrastructure sectors observed throughout the year.

**Graph 4: Absolute variation of domestic credit**
**December 2023 vs. November 2024**



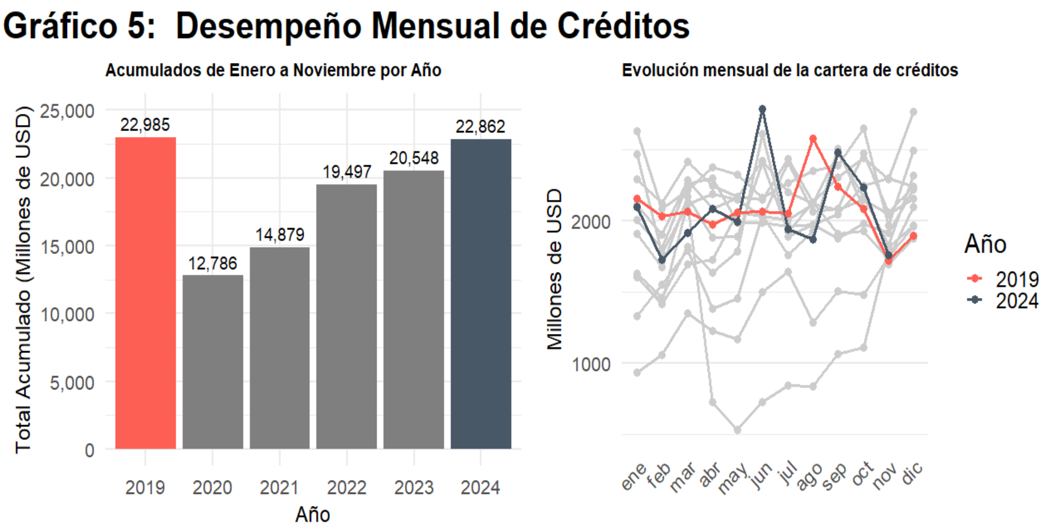

**Source:** General License banks SBP data

During the cumulative period from January to December 2024, the National Banking System recorded a total of USD 25,21 million in new credit granted, representing a 10.8% increase compared to the same period in 2023. This performance reflects a progressive recovery in lending activity, and scores, for the first time, a level higher than that observed in 2019, prior to the impact of the pandemic.

While cumulative growth shows a positive trend, the fact that this threshold has only recently been reached suggests that the banking system still faces structural challenges in consolidating sustained growth in credit issuance. Factors such as high funding costs, pressures on intermediation margins, and a restrictive interest rate environment continue to limit more dynamic credit expansion. In this context, it is important for financial institutions to strengthen their lending capacity, optimize risk segmentation, and diversify their commercial strategy to maintain the system's solvency and mitigate potential deteriorations in asset quality as the macroeconomic environment evolves with high levels of global uncertainty.

**Graph 5: Monthly credit performance**

**Cumulative from January to December per year** **Monthly evolution of the credit portfolio**




Fuente: SBP con datos de Bancos de Licencia General

**Source:** General License banks SBP data

**Corporate Credit:** Excluding the financial sector, corporate credit recorded a year-over-year growth of 4.7%, primarily driven by the trade sector, which grew by USD 966.1 million (7.9%) due to increased activity in both wholesale and retail segments. This growth reflects higher domestic demand and a partial recovery in consumption, which reduces credit risk in this sector. The industry sector also showed significant progress, with an increase of USD 306.9 million (8.1%), although concentrated in a segment related to electricity generation. This concentration represents a specific risk, as it depends on regulatory factors and energy price fluctuations, which could impact credit stability in the future. Likewise, agriculture experienced 19.1% growth (USD 94.3 million), supported by higher demand for agricultural products and sector-specific support policies. However, this sector remains vulnerable to climatic factors and fluctuations in international commodity prices.

On the other hand, some sectors showed declines that affected overall performance. The fishing sector registered a drop of USD 45.0 million (-34.1%), influenced by adverse conditions in international markets, increasing the risk of default in this segment. Mining and quarrying declined by USD 15.8 million (-27.6%), reflecting pressures on mineral prices and lower global demand. Meanwhile, construction showed a reduction of USD 80.7 million (-1.6%), reflecting the challenges in infrastructure and housing projects, which limits its cash flow generation capacity and increases its exposure to credit risk.

In summary, the corporate segment exhibits heterogeneous dynamic, with sectors such as trade, industry, and agriculture showing significant gains, improving their short-term credit profile. However, contractions in fishing, mining, and construction highlight structural limitations affecting performance and increasing vulnerability to various shocks. These divergences reflect persistent challenges that constrain a uniform recovery in corporate credit, potentially impacting aggregate credit quality in the medium term.

**Household Credit:** As of December 2024, the household credit portfolio reached USD 34,050 million, registering year-over-year growth of 3.5% (USD 1,158 million) compared to December 2023. Residential mortgage loans grew by 3.0% (USD 573.6 million), reflecting moderate growth in this segment. Meanwhile, consumer credit increased by 4.3% (USD 584.8 million), driven by an 8.3% increase (USD 155.9 million) in vehicle financing, a 1.8% rise (USD 173.2 million) in personal loans, and a notable 11.0% growth (USD 255.7 million) in credit cards—a revolving product characterized by payment flexibility but high default risk, given its sensitivity to economic conditions and interest rates.

While these results indicate a strengthening in financing demand, it is crucial to monitor the sustainability of growth in higher-risk segments, such as credit cards and personal loans, due to their short-term nature and greater vulnerability to economic and financial changes.

**Table 6:** Household credit - National Banking System
(in millions of USD)

| Credit | Dec-23 | Dec-24 | Δ Absolute USD | Δ relative % |
|---|---|---|---|---|
| **Consumption credit** | **13,657** | **14,242** | **584.8** | **4.3%** |
| Car | 1,873 | 2,029 | 155.9 | 8.3% |
| Personal loan | 9,454 | 9,627 | 173.2 | 1.8% |
| Card | 2,331 | 2,587 | 255.7 | 11.0% |
| **Housing mortgage** | **19,235** | **19,808** | **573.6** | **3.0%** |
| **Total Housing Credit** | **32,892** | **34,050** | **1,158.4** | **3.5%** |

**Source:** General License banks SBP data

During December 2024, the past-due credit portfolio stood at 2.2% of the total, marking an improvement of 0.18 percentage points (p.p.) compared to 2.38% in December 2023. At the same time, delinquency rates declined to 1.51%, reflecting a 0.15 p.p. decrease from 1.65% the previous year. These improvements indicate a stronger recovery capacity and better management of non-performing loans. The provision coverage ratio for past-due loans stood at 104.2%, highlighting the system's adequate capacity to absorb expected losses and reinforcing the robustness of its risk management approach.

This increase in coverage aligns with regulatory requirements set by the SBP, which promote the recognition of expected credit losses under a forward-looking approach, considering both macroeconomic scenarios and the full credit lifecycle. These positive results reflect the implementation of stronger risk management practices, the effective application of credit restructuring strategies, and the partial recovery of payment capacity among some large clients, despite a less dynamic economic environment. However, significant risks persist in sectors experiencing ongoing deterioration, increasing the vulnerability of the credit portfolio. To maintain credit quality in the medium term, it is essential to strengthen portfolio management in higher-risk sectors. A prudent approach to corporate and household credit will be key to preserving the stability and soundness of the banking system, particularly in a global context marked by high economic uncertainty.

The economic environment and credit conditions will continue to be critical factors in sustaining these positive trends. The consolidation of responsible financing policies, coupled with rigorous oversight, will not only reinforce confidence in the financial system but also drive economic growth.

## G. Deposits

### International Banking Center (IBC)

In December 2024, the International Banking Center (IBC) recorded a year-on-year growth of 5.1% in the balance of bank deposits, reaching a total volume of USD 110,484.5 million. This growth was supported by two main pillars: a 5.8% increase in domestic deposits, which totaled USD 68,557.5 million, and a 4.0% increase in foreign deposits, amounting to USD 41,927.0 million.

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

| Accounts | 2023 December | 2024 December (p) | Var. Dec 24 / Dec 23 Absolute | % |
|---|---|---|---|---|
| **TOTAL DEPOSITS** | **105,117.5** | **110,484.5** | **5,367.0** | **5.1%** |
| **Domestic** | **64,797.7** | **68,557.5** | **3,759.8** | **5.8%** |
| Government | 13,238.5 | 13,693.7 | 455.2 | 3.4% |
| Customer | 48,160.3 | 51,189.1 | 3,028.8 | 6.3% |
| Banks | 3,398.9 | 3,674.7 | 275.7 | 8.1% |
| **Foreign** | **40,319.8** | **41,927.0** | **1,607.3** | **4.0%** |
| Government | 317.8 | 243.1 | -74.7 | -23.5% |
| Customers | 31,251.0 | 31,464.7 | 213.7 | 0.7% |
| Banks | 8,750.9 | 10,219.2 | 1,468.3 | 16.8% |

**Source:** General and International License banks.

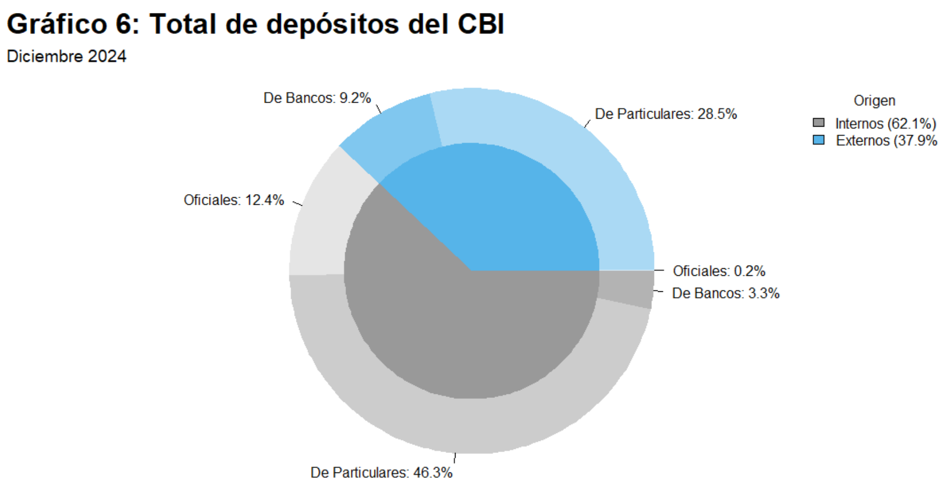
At the local level, domestic deposits grew by USD 3,759.8 million compared to the same month of the previous year. This increase breakdown into a 3.4% rise in domestic official deposits, totaling USD 455.2 million, and a 6.3% increase in private sector deposits, which reached USD 51,189.1 million. Likewise, local interbank deposits grew by 8.1%, totaling USD 3,674.7 million. These advances contributed positively to the overall growth of domestic deposits.

Regarding the capture of foreign deposits, Panama's IBC reached a total of USD 41,927.0 million in December 2024, reflecting the continued confidence of investors and foreign entities in the Panamanian banking system. Foreign deposits grew overall, although with variations between segments: foreign official deposits declined by 23.5%, standing at USD 243.1 million. Meanwhile, foreign private sector deposits saw a slight increase of 0.7%, reaching USD 31,464.7 million, while deposits from foreign banks recorded a significant 16.8% increase, totaling USD 10,219.2 million. The continued growth of foreign bank deposits suggests that international financial institutions still view Panama as a safe and attractive destination for their assets. This trend has been observed over the past five years, with sustained growth in this segment. Additionally, favorable regulatory policies and the stability of the legal framework have played a key role in strengthening foreign investor confidence, promoting deposit inflows into Panama's financial hub. This dynamic enhances the competitiveness of the IBC against other financial centers in the region, consolidating Panama as a reliable banking hub for international capital in LATAM.

It is worth noting that the contribution of foreign deposits to the absolute increase in total deposits (USD 1,607.3 million, equivalent to 29.9% of total growth) underscores the importance of this segment in the International Banking Center's funding structure. These funds mainly come from interbank financing and credit lines granted by international financial institutions, highlighting the need to assess their sustainability and long-term dependence. This is particularly relevant in a country like Panama, which operates without a central bank. The absence of a monetary institution such as a central bank increases the system's reliance on international capital flows to support liquidity. In this context, a reliable legal environment, backed by a stable regulatory framework and the careful adoption of new provisions, stands as a fundamental pillar in ensuring the continued attraction and retention of these flows, thereby reinforcing confidence and stability in the financial system. The implementation of ongoing monitoring, along with policies that strengthen legal security and promote the diversification of external funding sources, will be crucial in mitigating risks associated with global market volatility. Furthermore, these measures will contribute to ensuring the sustainability of the banking system in the medium and long term, allowing Panama to consolidate its position as a competitive and reliable financial center in a global environment characterized by high uncertainty and shifting commercial and financial dynamics.

In summary, as of December 2024, the composition of deposits in Panama's IBC reflects a solid base of domestic deposits, particularly from the private sector (USD 51,189.1 million), complemented by significant foreign deposits (USD 31,464.7 million from the private sector and USD 10,219.2 million from banks). This profile demonstrates sustained confidence in the banking system while underscoring the importance of maintaining balanced liability management and an adequate diversification of funding sources. Additionally, continuous monitoring of the macroeconomic and regulatory environment is essential to promptly identify the need for adjustments in funding strategies and risk management, with the goal of mitigating negative impacts and preserving the financial stability of institutions and the IBC as a whole.

**Graph 6: Total Domestic Deposits**
**November 2020 – November 2024**




**Source:** General license banks.

- **National Banking System (NBS)**

Panama's National Banking System (NBS) has demonstrated solid performance in 2024, aligning with the positive trends observed in the International Banking Center (IBC). By December 2024, total deposit volume reached USD 98,517.8 million, reflecting a year-on-year growth of 6.8%. This increase underscores the sustained confidence in the Panamanian banking system despite challenging macroeconomic conditions in the region.

Domestic deposits grew by 5.7% year-on-year, reaching USD 68,382.2 million. This growth was primarily driven by a 6.3% increase in domestic individual deposits, which amounted to USD 51,189.1 million. However, domestic official deposits recorded a 3.4% increase, totaling USD 13,693.7 million, while domestic bank deposits grew by 5.6%, reaching USD 3,499.3 million. Despite the growth in individual deposits, other categories showed varying degrees of expansion.

Meanwhile, external deposits exhibited more dynamic growth, increasing by 9.4% year-on-year to USD 30,135.6 million. This growth was mainly driven by an 18.3% rise in external bank deposits, which reached USD 9,702.4 million, and a 6.1% increase in external individual deposits, totaling USD 20,249.4 million. However, external official deposits declined by 26.3%, standing at USD 183.9 million, which may reflect shifts in liquidity strategies among foreign official entities.

Looking ahead, the stability and growth of the NBS will continue to support the credit position of Panama's banking system, solidifying its role as a key player in the region's financial system. However, continuous monitoring of international capital flows and risks associated with the concentration of both external and domestic deposits will be necessary to ensure long-term banking system stability.

**Table 8**: National Banking System
Total Deposits
(In millions of USD)

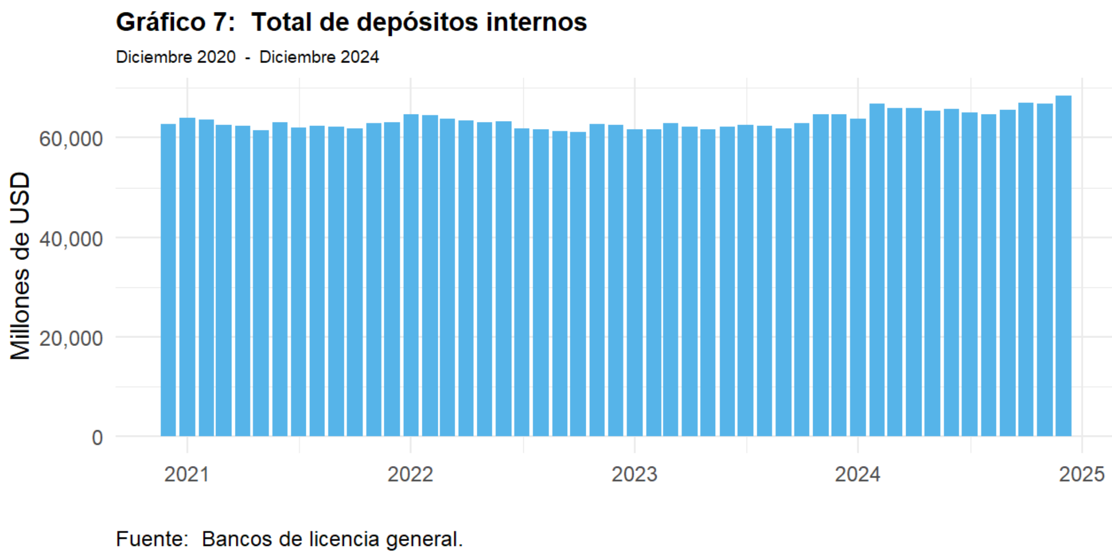
| Accounts | 2023 December | 2024 December (p) | Var. Dec 24 / Dec 23 Absolute | % |
|---|---|---|---|---|
| **TOTAL DEPOSITS** | **92,248.9** | **98,517.8** | **6,268.9** | **6.8%** |
| **Domestic** | **64,712.4** | **68,382.2** | **3,669.8** | **5.7%** |
| Government | 13,238.5 | 13,693.7 | 455.2 | 3.4% |
| Customers | 48,160.3 | 51,189.1 | 3,028.8 | 6.3% |
| Banks | 3,313.6 | 3,499.3 | 185.8 | 5.6% |
| **Foreign** | **27,536.6** | **30,135.6** | **2,599.1** | **9.4%** |
| Government | 249.6 | 183.9 | -65.7 | -26.3% |
| Customer | 19,085.8 | 20,249.4 | 1,163.6 | 6.1% |
| Banks | 8,201.2 | 9,702.4 | 1,501.2 | 18.3% |

**Source:** General License banks.

**Graph 7** illustrates the evolution of domestic deposit balances over time, highlighting key trends and depositor behavior patterns. The individual deposit base not only underscores confidence in the National Banking System (NBS) but also plays a crucial role in system liquidity. A broad and stable deposit base allows banks to manage short-term obligations more efficiently and facilitate long-term investments.

With greater deposit stability, financial institutions can better plan their growth and expansion strategies, as well as offer more attractive and diversified financial products to their customers. Notably, domestic deposits account for approximately 70% of total deposits. This high proportion of domestic deposits highlights residents' confidence in the national banking system and their willingness to keep their savings and financial resources within the country. This trust is a positive indicator of public perception regarding the strength and stability of the NBS.

**Graph 7: Total domestic Deposits**
**December 2020 – December 2024**




**Source:** General and International license banks.

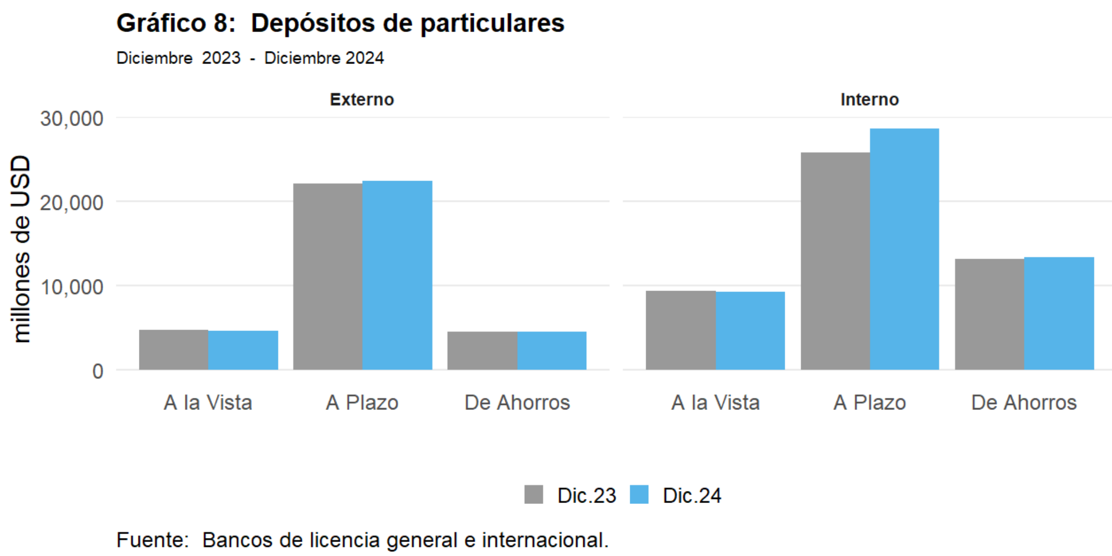
Consistent with previous reports, term deposit accumulation remains the main driver of banking sector dynamism, consolidating itself as a key funding source. As of December 2024, domestic term deposits recorded an 11.06% growth, reaching USD 28,590.7 million, while external term deposits increased by 1.36%, totaling USD 22,363.7 million. This trend reflects a clear preference for higher-yield instruments in the domestic market. However, a potential adjustment in international interest rates could slow this growth, redirecting flows toward more liquid products and creating challenges in deposit acquisition and banking funding diversification.

In contrast, demand deposits experienced declines in both sectors. Domestic demand deposits decreased by 1.13%, standing at USD 9,204.9 million, while external demand deposits contracted by 2.41%, reaching USD 4,600.1 million.

On the other hand, savings deposits showed more stable performance. Domestic savings deposits grew by 2.19%, while external savings deposits increased by 0.58%, reaching USD 13,393.6 million and USD 4,500.9 million, respectively. This stability in the domestic segment contrasts with the volatility observed in external flows, reinforcing the resilience of the domestic market against external shocks.

In general terms, the Panamanian banking system continues to benefit from depositors' confidence, supported by a diversified funding base. Moving forward, closely monitoring international capital flows, and adjusting deposit acquisition strategies in a potentially lower interest rate environment will be crucial. This will be key to ensuring the system's stability and competitiveness in the medium and long term.

**Graph 8: Customer Deposits**
**December 2023 – December 2024**




**Source:** General and International license banks.

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