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Impact of the Banking Rule 2-2020 on the National Economy to mitigate adverse effects of the spread of COVID-19

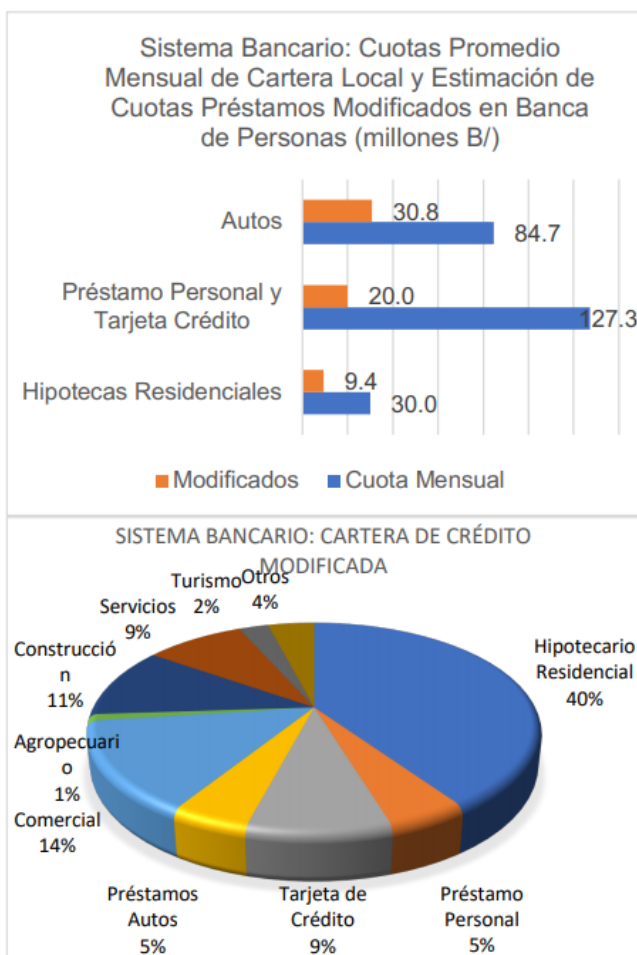
The Superintendency of Banks of Panama adopted prudential policy measures to mitigate the adverse effects of Covid-19 on the Panamanian economy. This is the role and responsibility that regulatory and supervisory bodies traditionally fulfill to maintain financial stability. It is widely and internationally accepted that this role is much more effective from the supervisory body's responsibility that, from any other scope, due to the independence, flexibility, as well as management and technical knowledge in decision-making.

The adverse effects of Covid-19 on public health, the national economy and the banking system, in particular, pose an unprecedented challenge that has entailed close coordination between the Superintendency and the banking industry. The Superintendency periodically monitors on [the context] to ensure that any imbalance in the banking system that affects the credit to the economy and that banks are able to make use of flexible mechanisms such as payment restrictions, both for retail banking and the rest of the productive sector of the economy. Banking Rule 2-2020 has been a key factor that has provided banks with the necessary tools to gradually and progressively give clients affected by the harsh economic context financial relief in their payment flow.

Thirty days after the enactment of Rule 2-2020, the information available allows establishing that the National Banking System has been able to modify a portfolio balance equivalent to B/.12.55 billion, a 22.8% of the total loan portfolio as of the first quarter of 2020. This has meant that [the measure] has impacted about 556,404 loan operations between retail and corporate banking.

Description	Balance Modified Loans (in millions of B/.)	Quantity of Operations	Balance Domestic Portfolio (in millions of B/.)
Total	12,545.5	556,404	55,096.5
Retail banking	7,389.0	543,928	28,667.0
Residential mortgage	5,073.2	84,055	16,123.6
Personal loan	611.0	62,922	8,419.1
Credit card	1,103.4	342,232	2,471.3
Car loan	601.4	54,719	1,653.0
Corporate banking	5,156.5	12,476	26,429.5
Commercial	1,759.6	4,683	7,731.0
Agriculture	129.1	978	1,821.0
Construction	1,360.1	2,241	6,233.0
Services	1,080.5	3,269	4,752.0
Tourism	324.5	346	587.6
Others	502.7	959	5,304.9

The modifications to the portfolio have been made especially in retail banking, particularly in the residential mortgage portfolio, credit cards and personal loans held by clients in the system.



Effects of Rule 2-2020

- The amortization or quotas of the personal loans in retail banking is equivalent to an average of B/.242 million per month.
- Taking into consideration the portfolio outlook the Banking System has modified to date, the payment restriction of monthly installments for this month would be equivalent to B/.60 million approximately, only in retail banking.

Banks and their clients still can fulfill the 120-day period established by means of Rule 2-2020 to complete the review and modification of their loans. The objective of the Superintendency will always be for the Banking sector to continue with a positive role in providing resources for the economic recovery, under conditions that we know will be different from the performance of the national economy in recent times. For this reason, it will be important to coordinate the combinations of public policies aimed at stimulating the economy from the fiscal policy and the capacity of banks to give credit to the economy in sound and safe conditions.