



# 2018 Performance of the International Banking Center

Ricardo G. Fernández D.  
Superintendent of Banks  
March 20, 2019

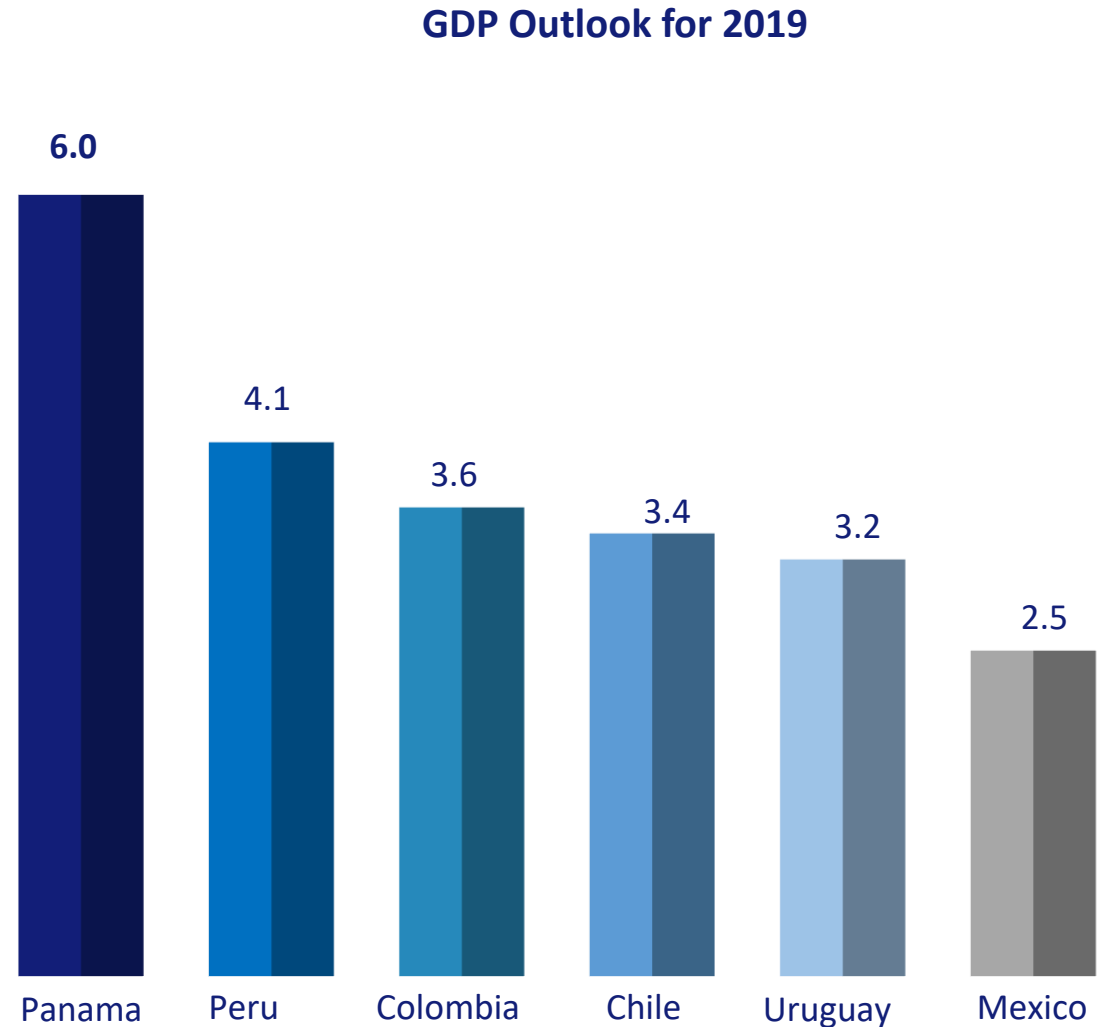
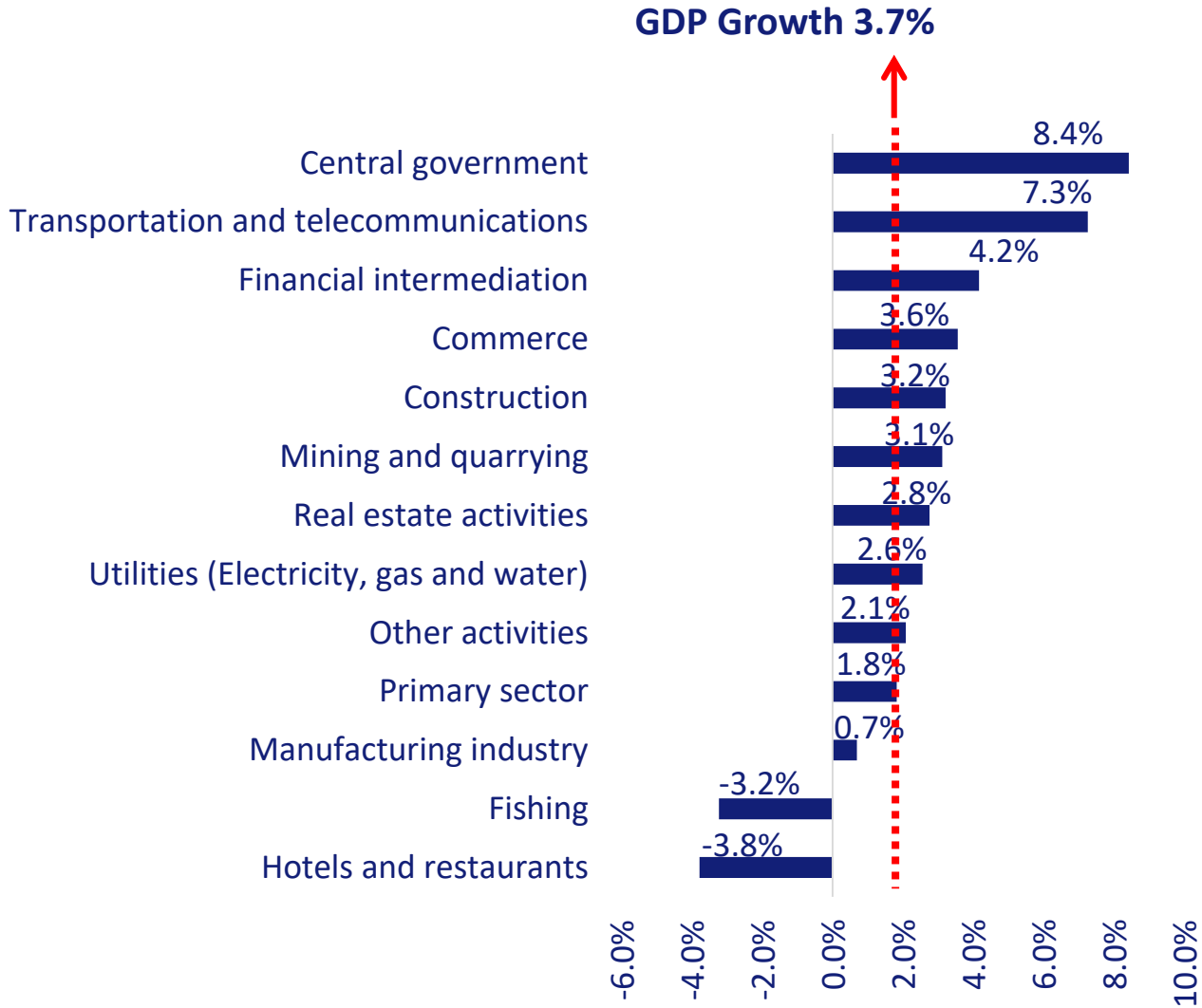
# Agenda



1. National economic context
2. 2018 Financial Results of the Banking Center
3. 2019 Regulatory roadmap
4. FATF Assessment Schedule
5. Financial System modernization
6. Institutional matters - SBP

# Panama: International Banking Center 2018 GDP Growth and 2019 Outlook

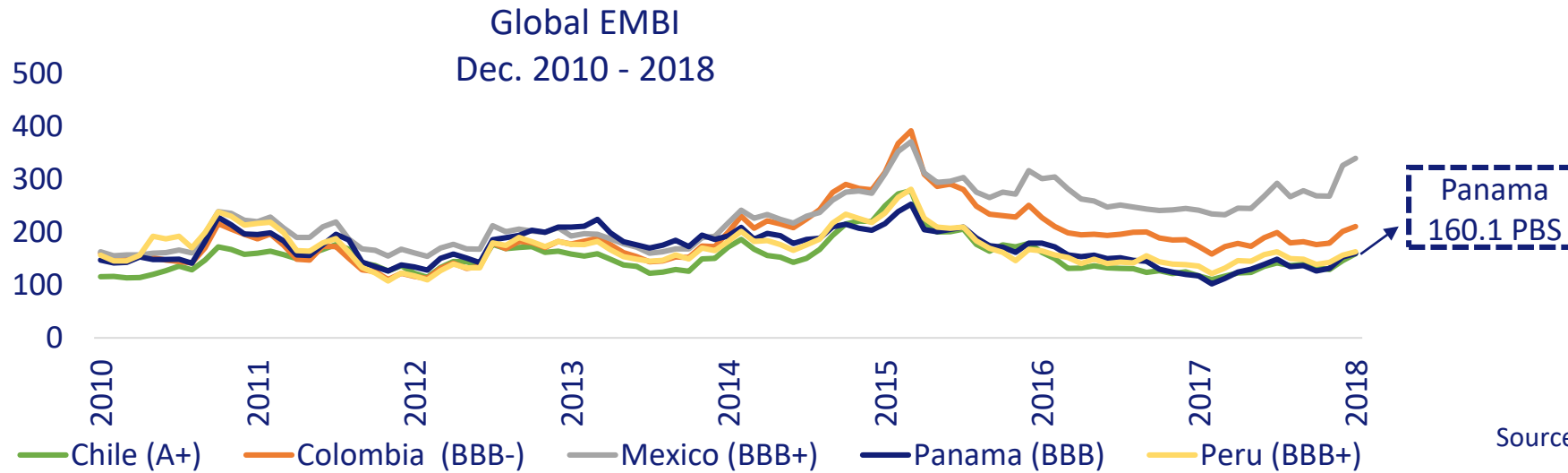
(in percentages)



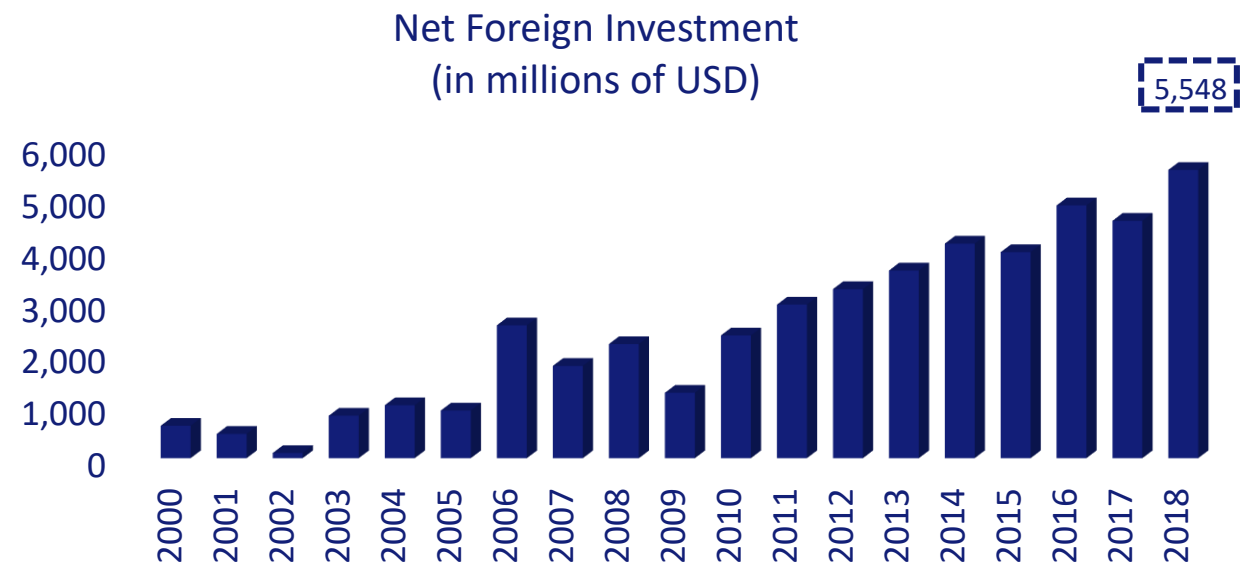
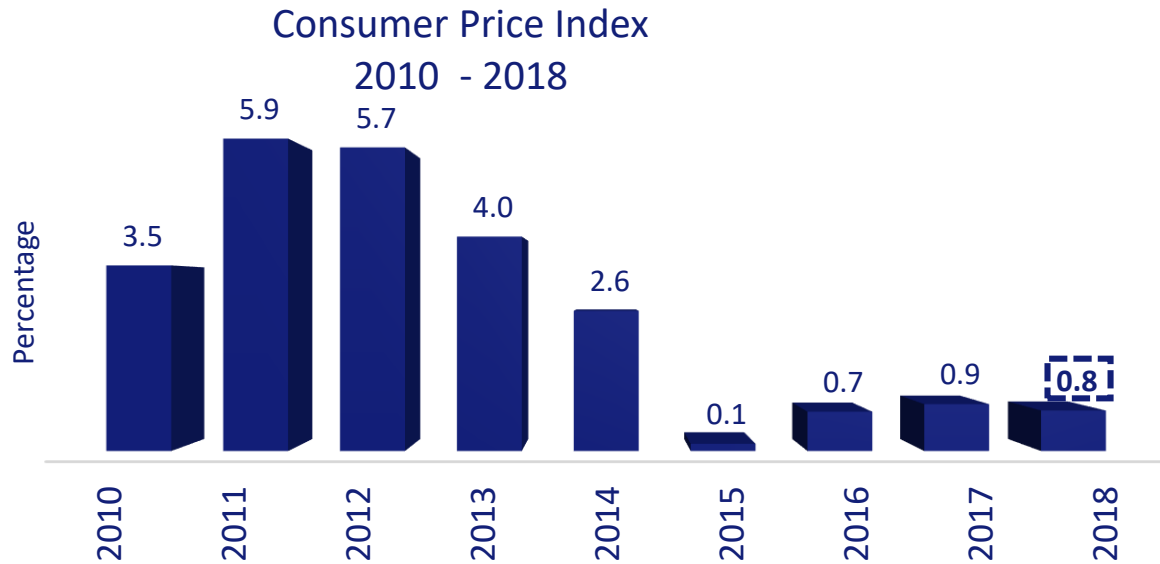
Source: NISC Comptroller General of the Republic

Source: International Monetary Fund

# Panama: International Banking Center Domestic Macroeconomic Context



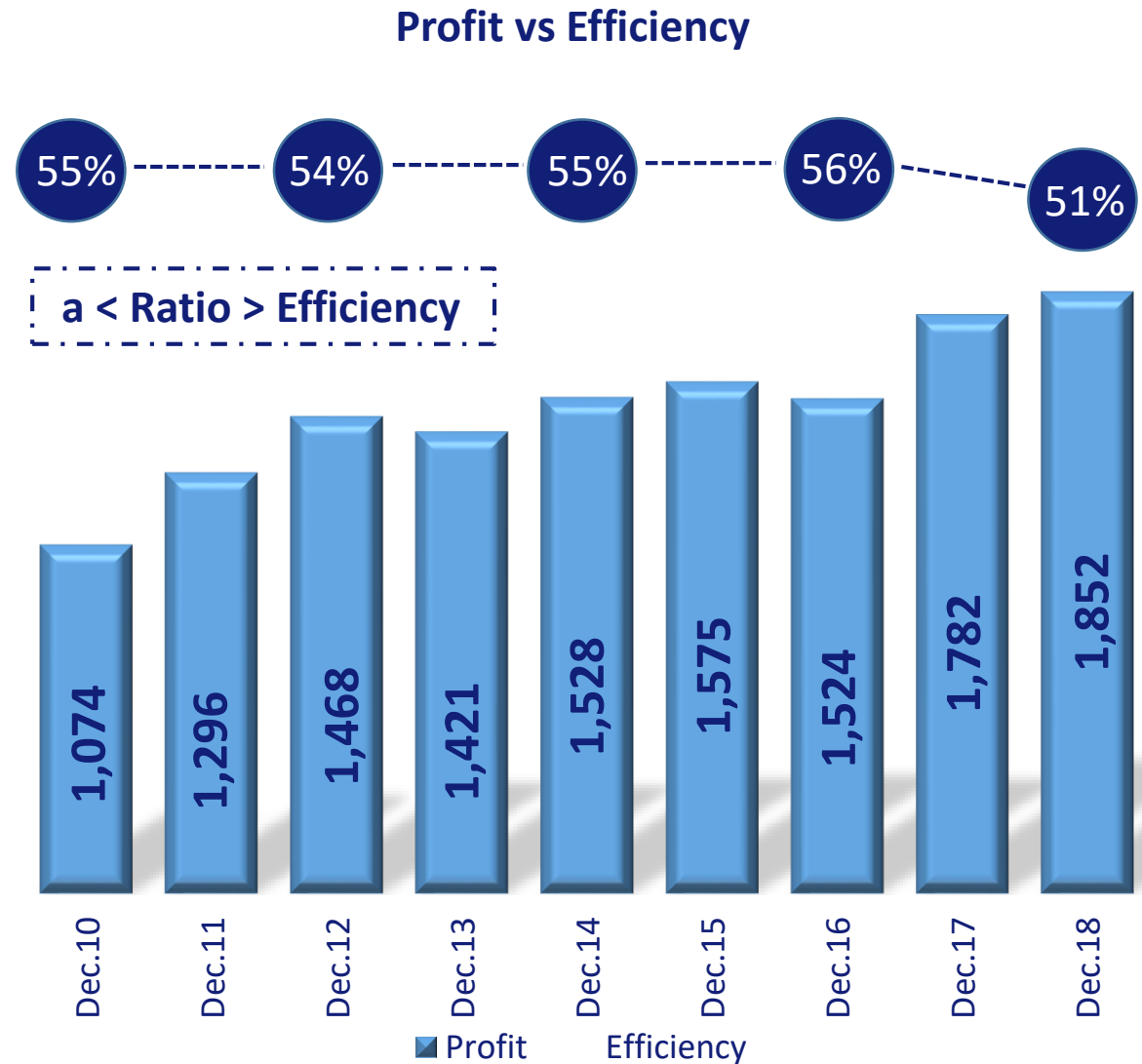
| Rating  | Stable |
|---------|--------|
| Moody's | Baa1   |
| Fitch   | BBB    |
| S&P     | BBB    |



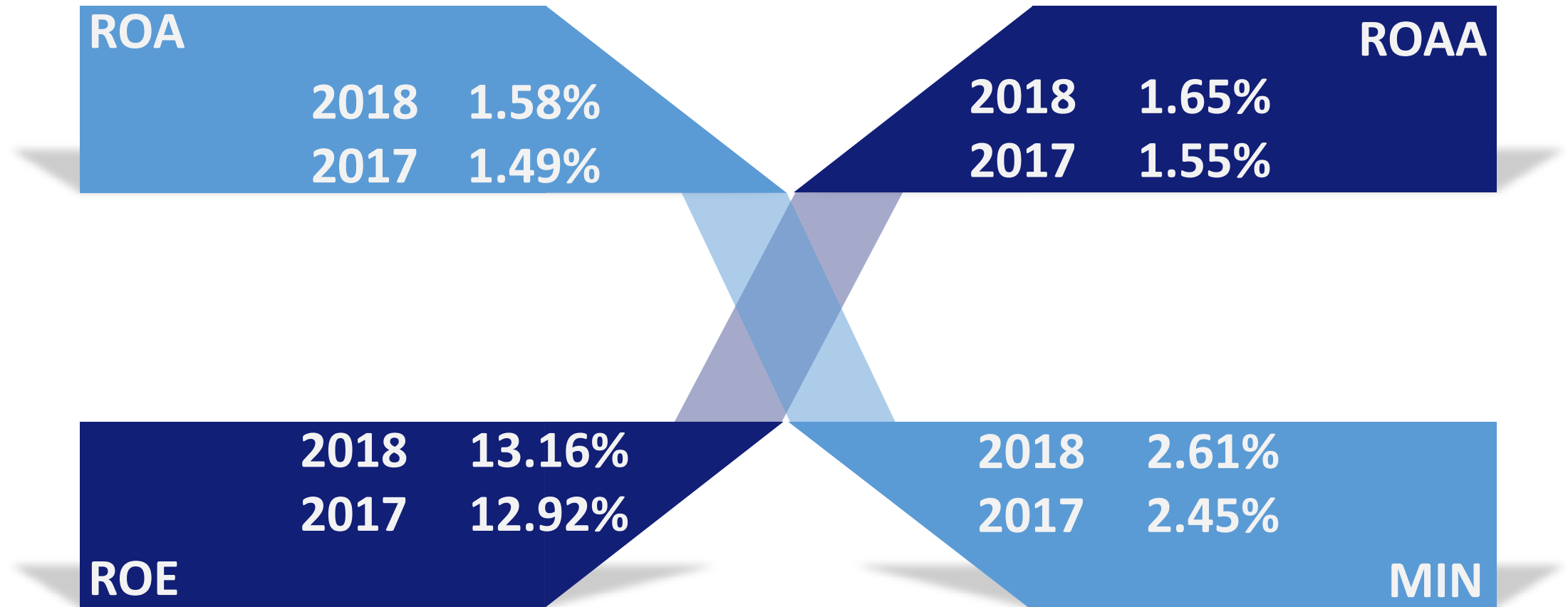
# Panama: International Banking Center Profit Statement

December 2018 (in millions of USD)

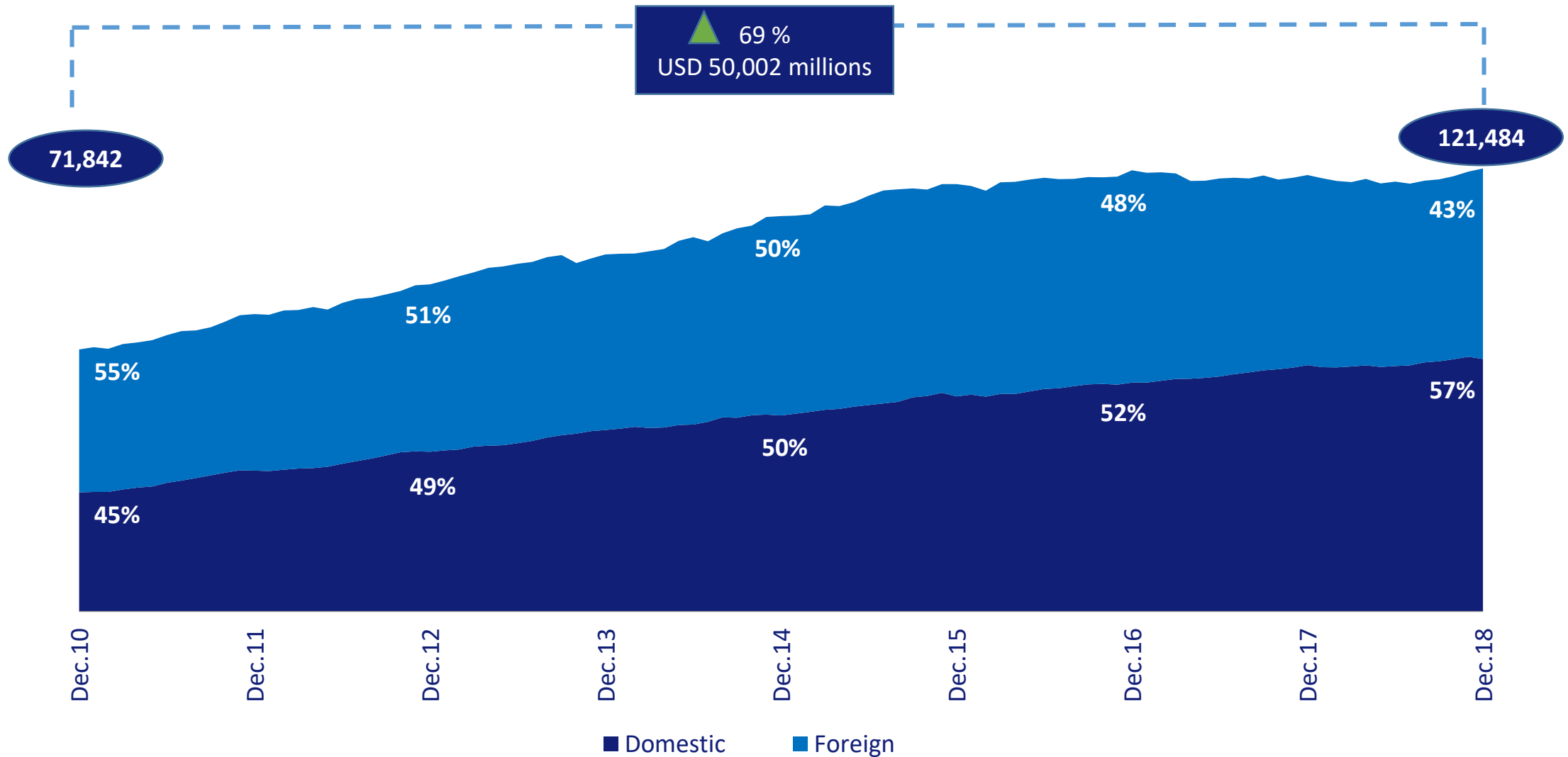
| IBC                                | Jan.-Dec.<br>2017 | Jan.-Dec.<br>2018 | 12-month<br>Diff. (%) | Total<br>Diff. |
|------------------------------------|-------------------|-------------------|-----------------------|----------------|
| <b>A. Interest Income</b>          | 5,279             | 5,731             | 8.6%                  | 452            |
| Loans                              | 4,508             | 4,809             | 6.7%                  | 301            |
| Deposits                           | 190               | 264               | 38.8%                 | 74             |
| Investments                        | 545               | 627               | 15.1%                 | 82             |
| Other Income                       | 36                | 31                | -14.2%                | -5             |
| <b>B. Operating Expenses</b>       | 2,648             | 2,931             | 10.7%                 | 282            |
| Interest paid                      | 2,434             | 2,703             | 11.0%                 | 268            |
| Commissions                        | 214               | 228               | 6.6%                  | 14             |
| <b>C. Net Interest Income</b>      | 2,631             | 2,801             | 6.5%                  | 170            |
| <b>D. Other Income</b>             | 2,233             | 2,258             | 1.1%                  | 25             |
| <b>E. Operating Income</b>         | 4,864             | 5,058             | 4.0%                  | 195            |
| <b>F. General expenses</b>         | 2,581             | 2,609             | 1.1%                  | 28             |
| <b>G. Profit before provisions</b> | 2,283             | 2,449             | 7.3%                  | 166            |
| <b>H. Provisioning</b>             | 501               | 597               | 19.2%                 | 96             |
| <b>I. Profit for the period</b>    | 1,782             | 1,852             | 3.9%                  | 70             |



Panama: International Banking Center  
Profitability Ratios  
December 2018 (in percentages)



# Panama: International Banking Center Assets (in millions of USD) December 2010-2018

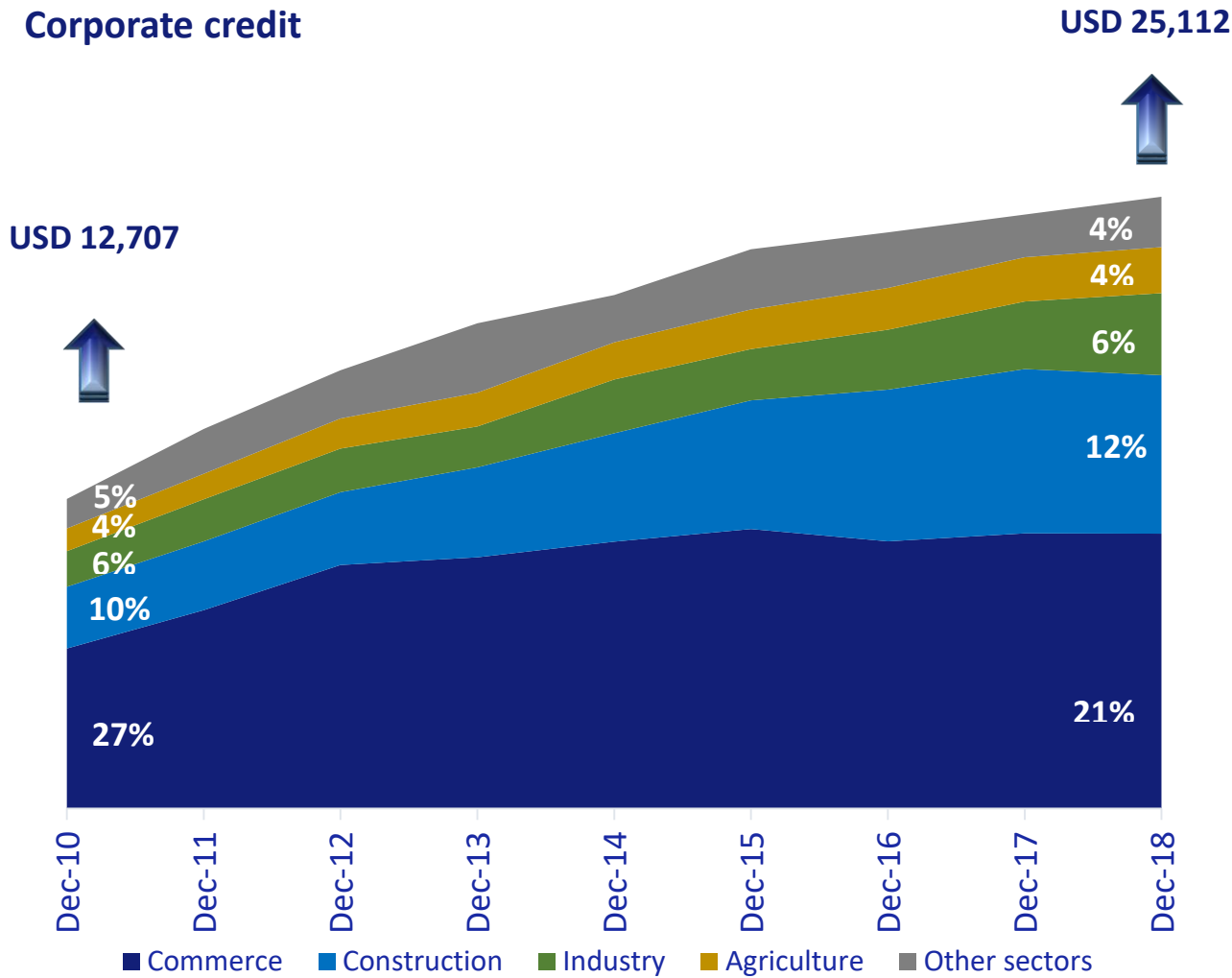


# Panama: International Banking Center Domestic Credit Portfolio by Activity

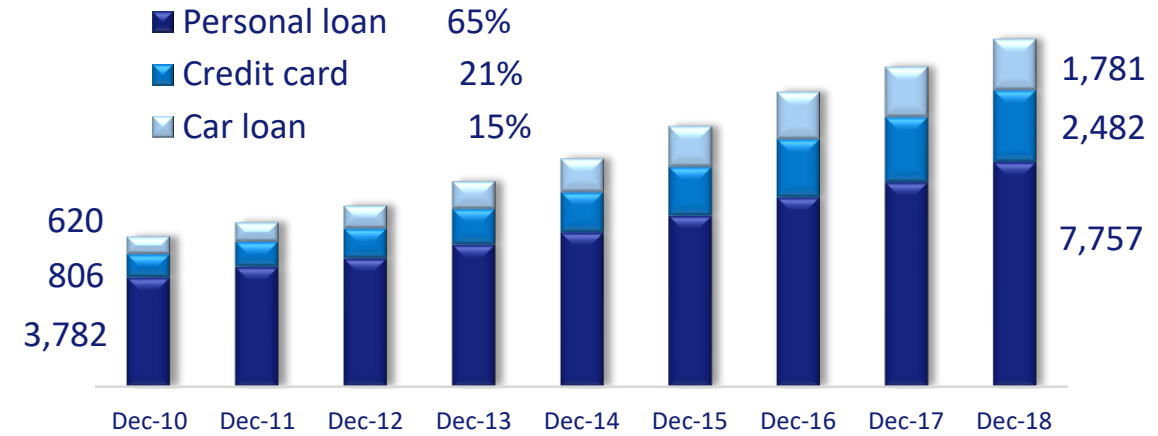
(in millions of USD)

Total : USD 54.12 billion  5%

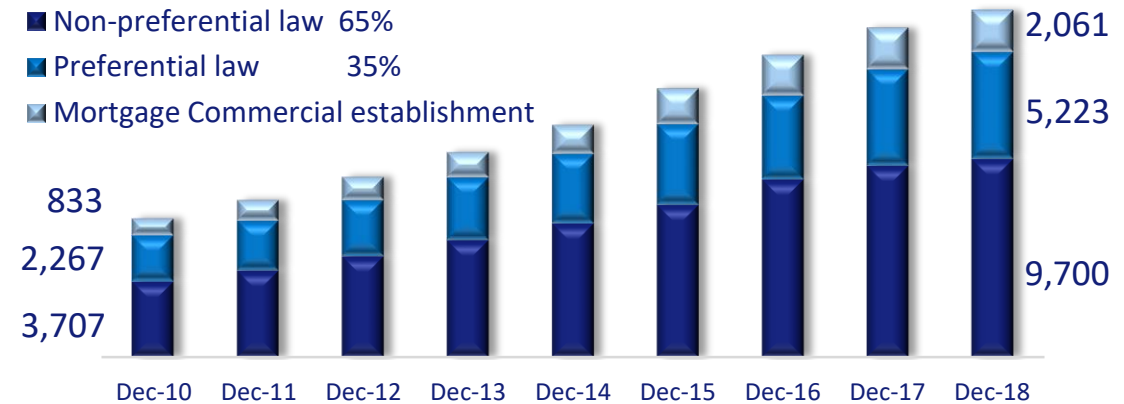
## Corporate credit



## Consumption credit USD 12,020



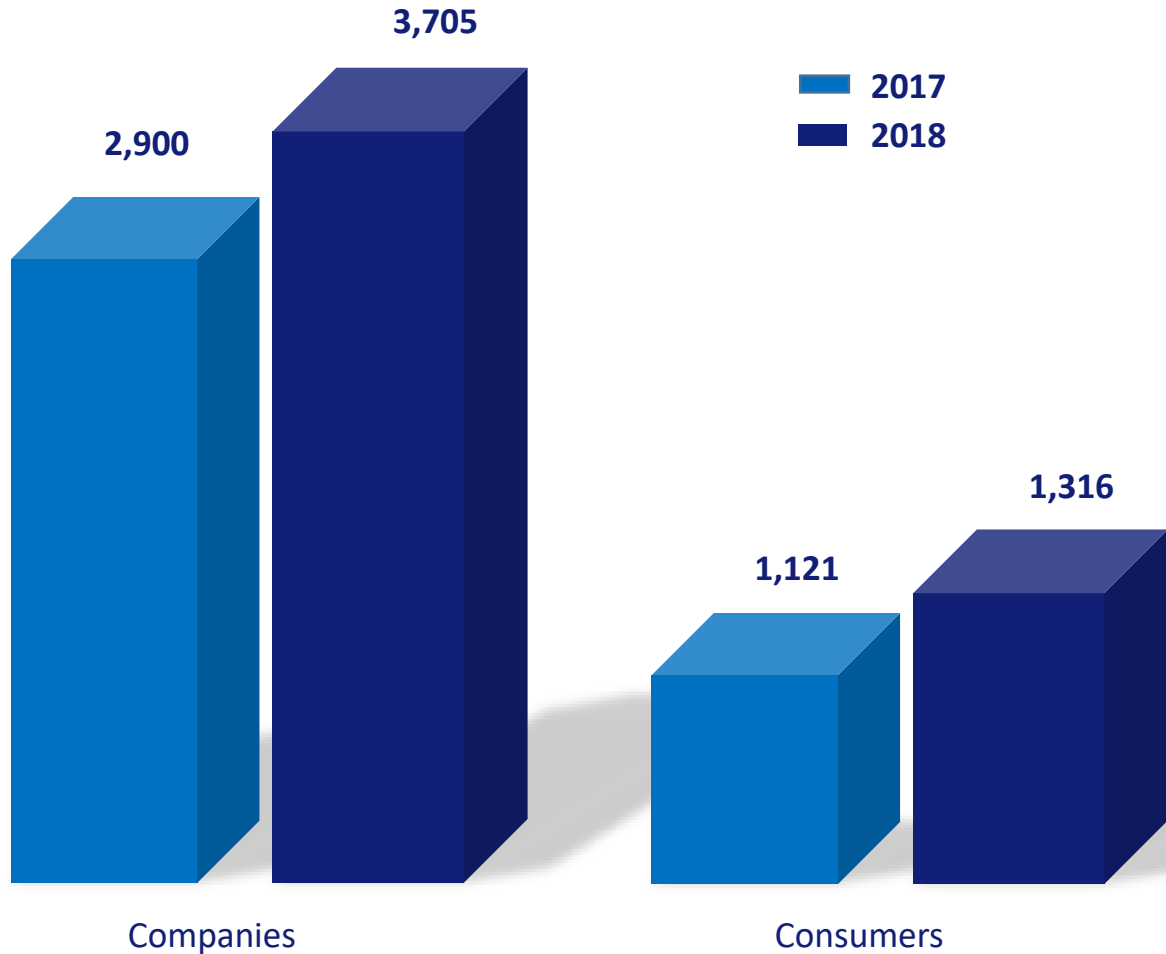
## Mortgages USD 16,984



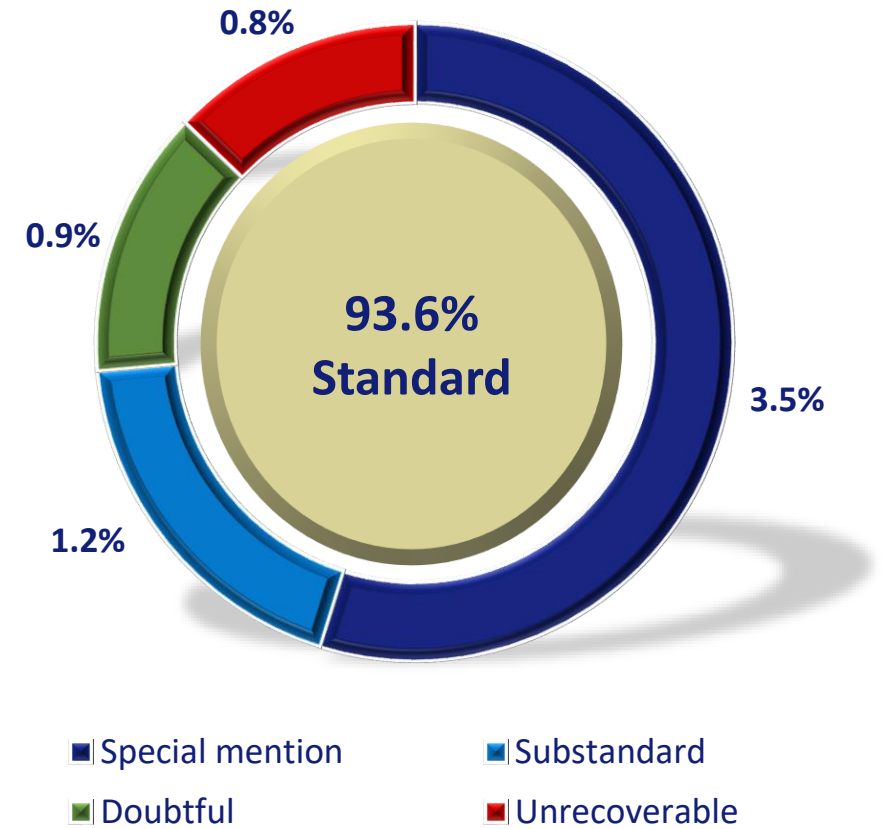


# Panama: International Banking Center Classification of Portfolio December 2018

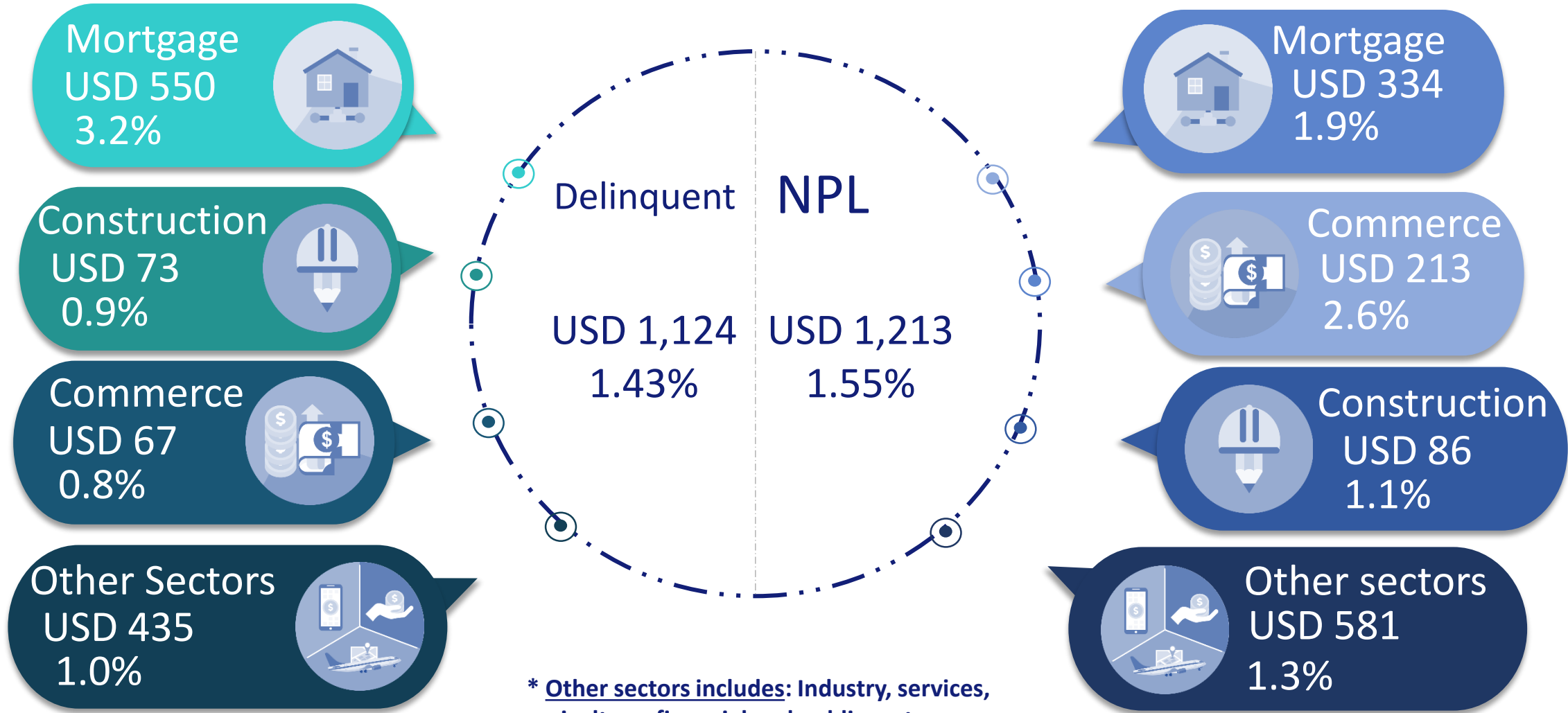
Classification of Portfolio  
(in millions of USD)



Classification of Credit Portfolio  
(in percentages)

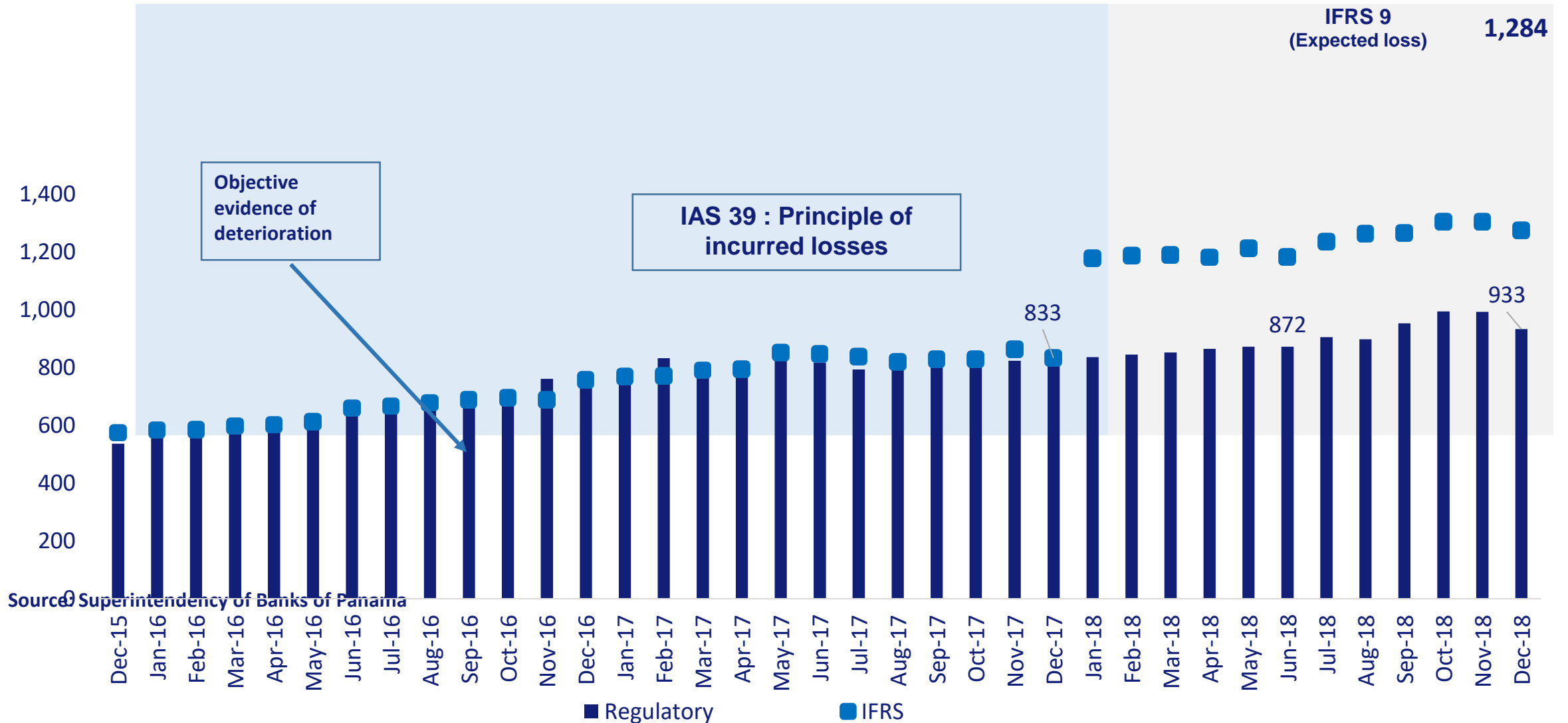


# Panama: International Banking Center Quality of Portfolio December 2018 (in millions of USD)

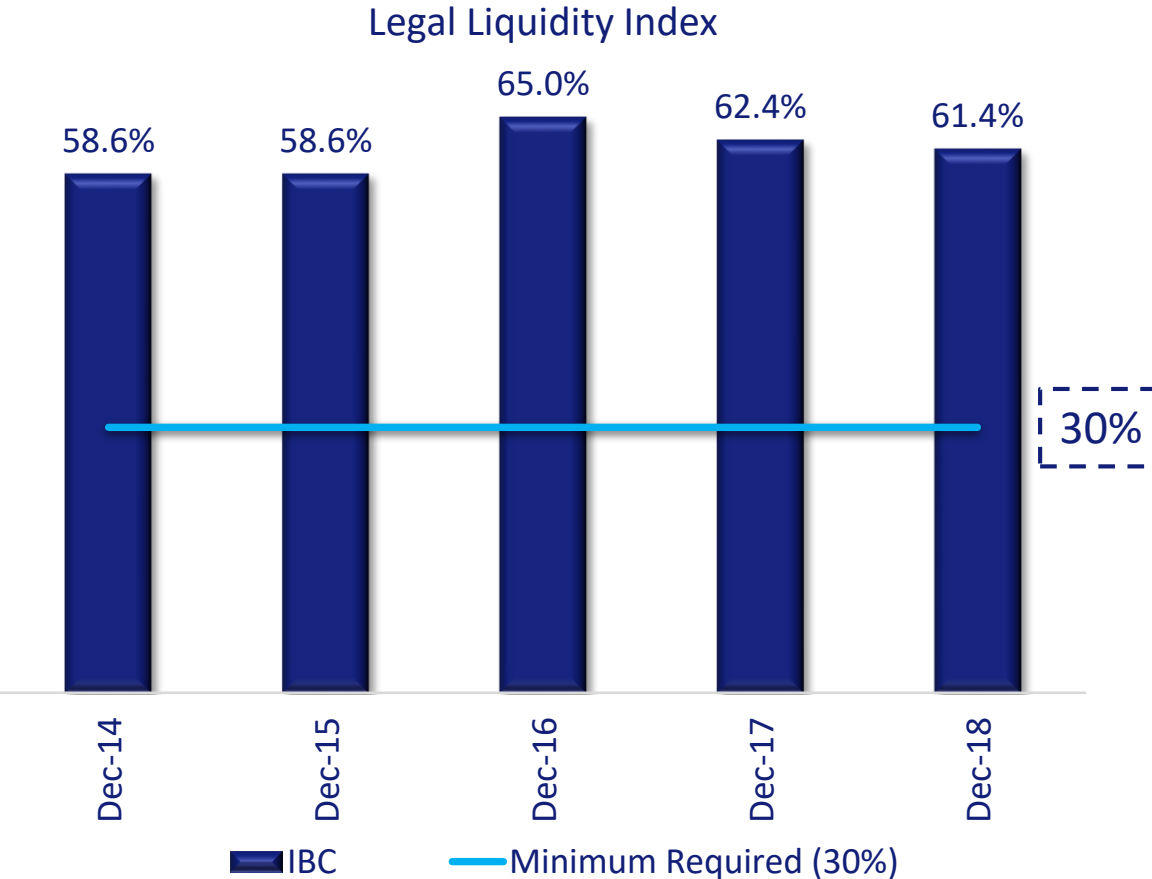
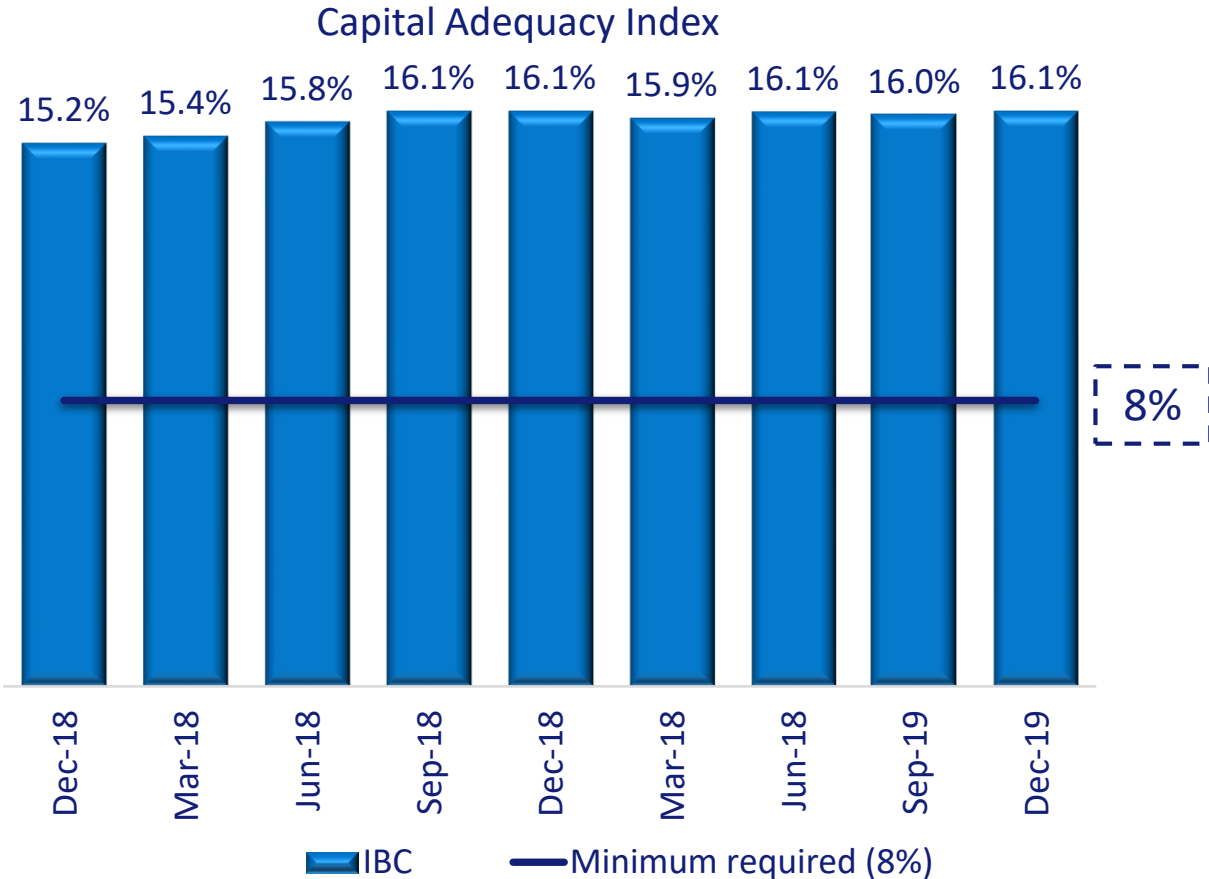


\* Other sectors includes: Industry, services, agriculture, financial and public sectors.

# Panama: International Banking Center Regulatory vs. IFRS 9 Provisioning December 2015-2018 (in millions of USD)



# Panama: International Banking Center Solvency and Liquidity December 2018 (in percentages)



The solvency index as of December 2018 is enough to cover market risk and operational risk requirements

Source: Superintendency of Banks of Panama

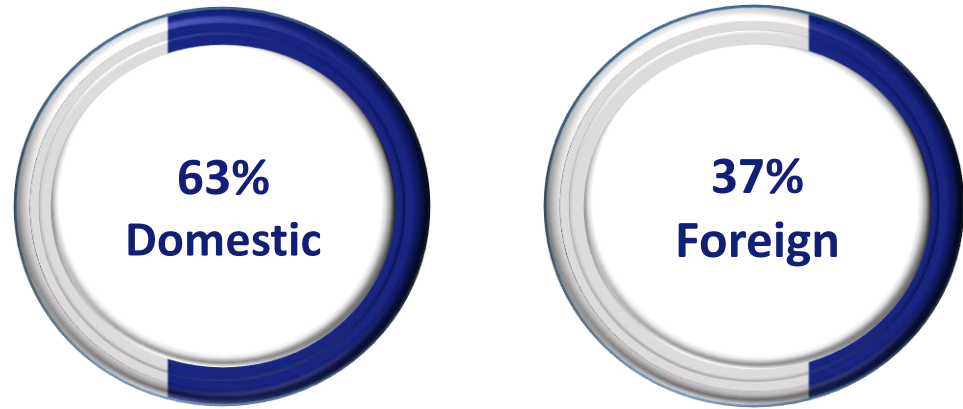
# Panama: International Banking Center

## Deposits (in millions of USD)

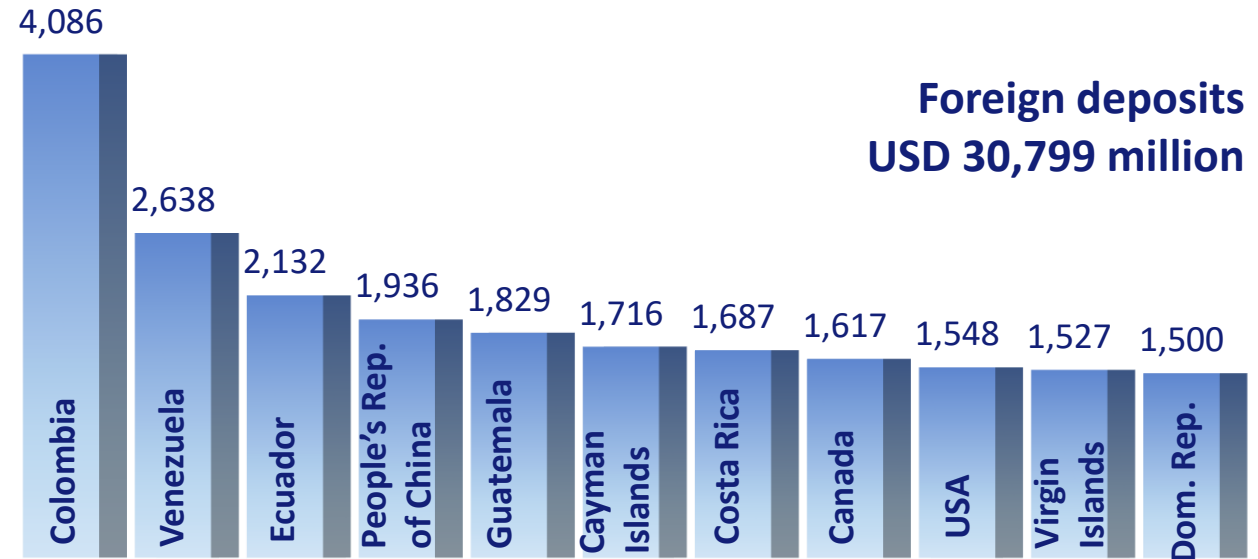
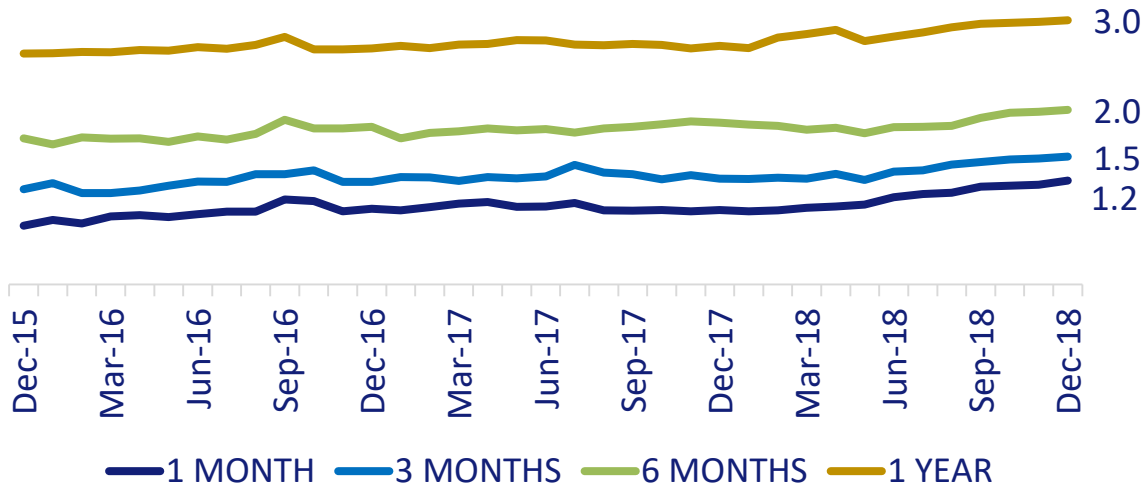
### December 2018

USD 83,465 million

Domestic deposits  
USD 52,666 million



BSN: FTD Interest Rates  
(in percentages)



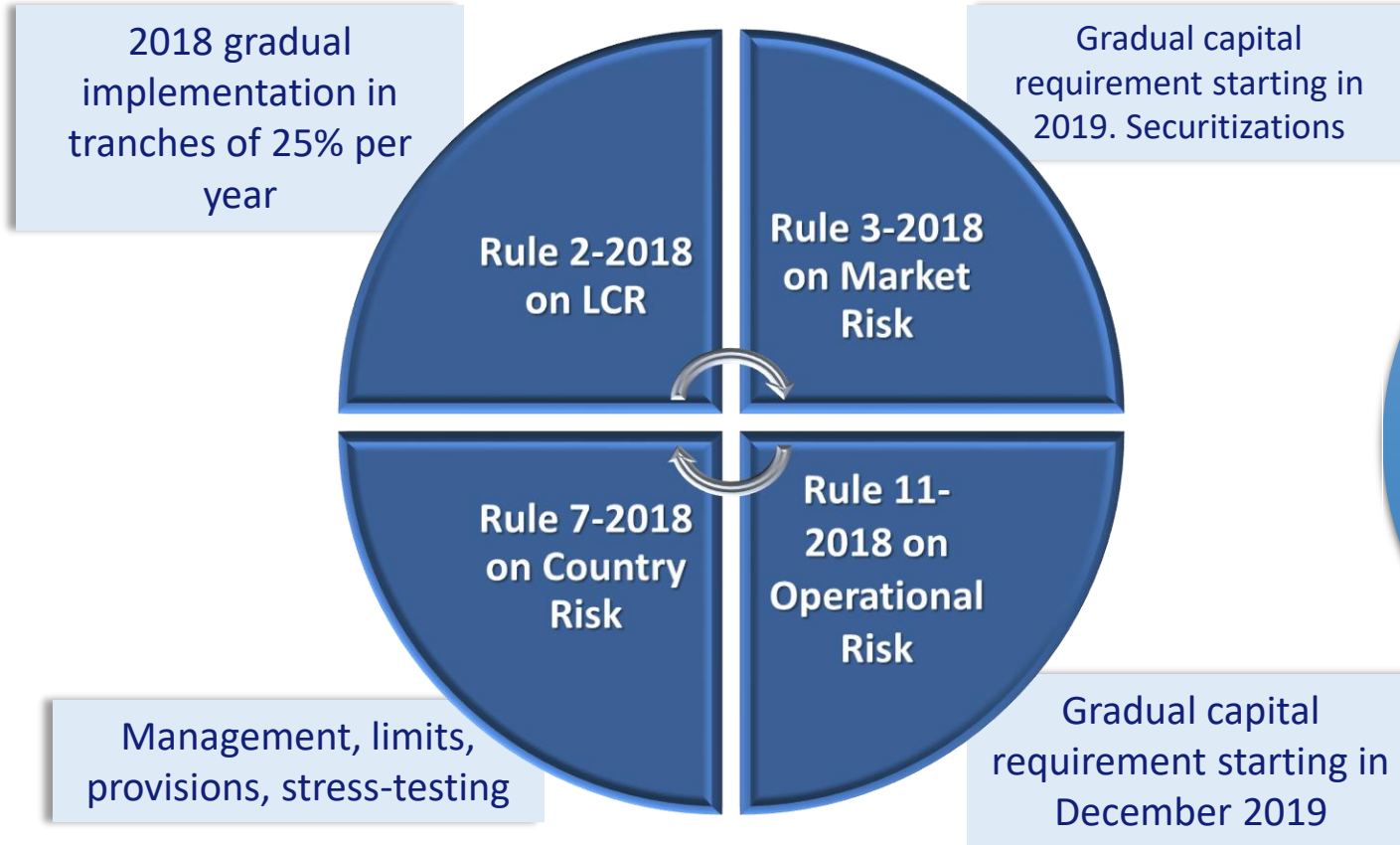
Foreign deposits  
USD 30,799 million

# Panama: International Banking Center Risk Factors

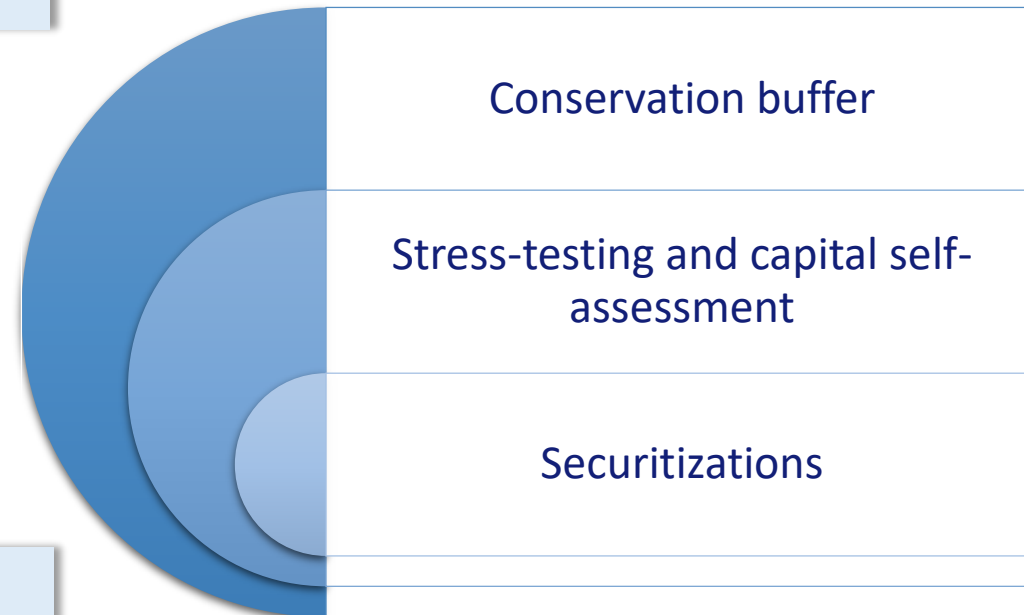


# Panama: International Banking Center Roadmap towards Basel III

## Approved regulations



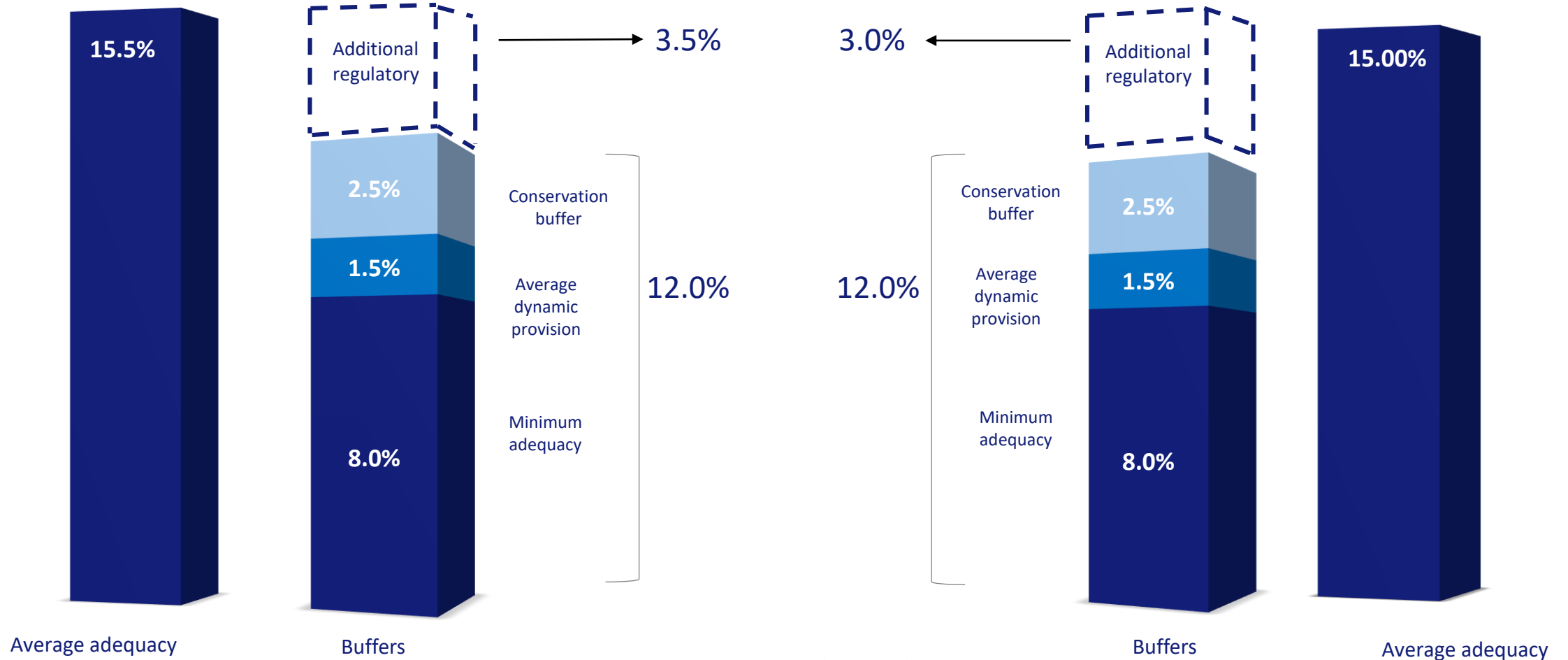
## 2019 Regulations



# Panama: National Banking System Capital Requirement Exercise December 2018

Systemic Banks

Non-systemic Banks





# Panama: International Banking Center Agenda with the Financial Action Task Force

## February 2019

FATF plenary meeting:  
Decision on the face-to-face  
with ICRG

## April 2019

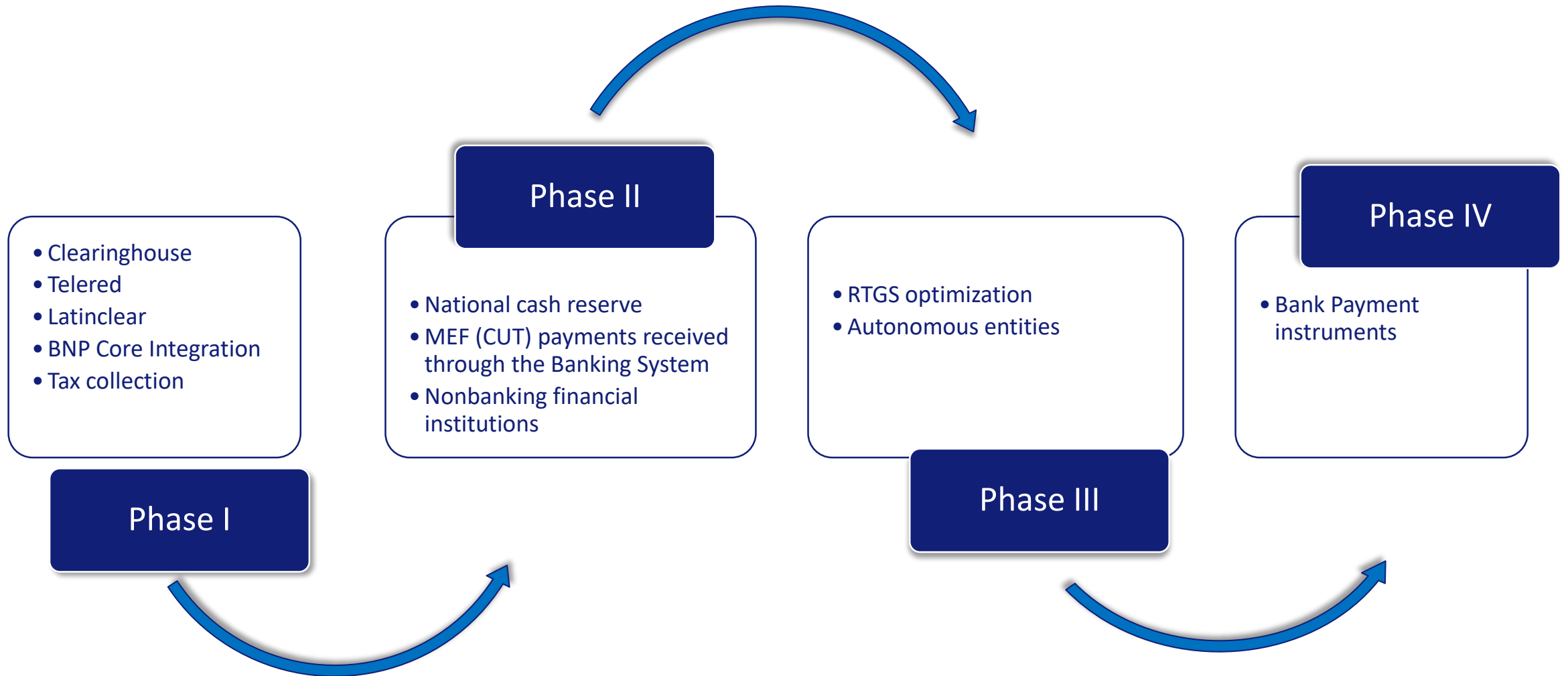
Face-to-face with ICRG  
March 20: submittal of  
template to ICRG  
April 10: ICRG's answer  
approved by co-chairs  
April 18: Country's answer to  
comments. Submittal of final  
version for ICRG assessment

## June 2019

FATF plenary meeting:  
Decision on the country's  
progress

- ✓ April assessment is on the effectiveness of the Immediate Outcomes rated moderated (6) and low (3).
- ✓ Plenary's decision is on the progress; not for immediate outcome changes.
- ✓ Country is still on intensified follow-up until we can prove progress on mutual assessments with the FSRB.
- ✓ Evidence of later progress may change the status to periodic follow-up.
- ✓ Important identification and management of critical aspects.
- ✓ FATF matters must be part of the New Government's transition agenda.

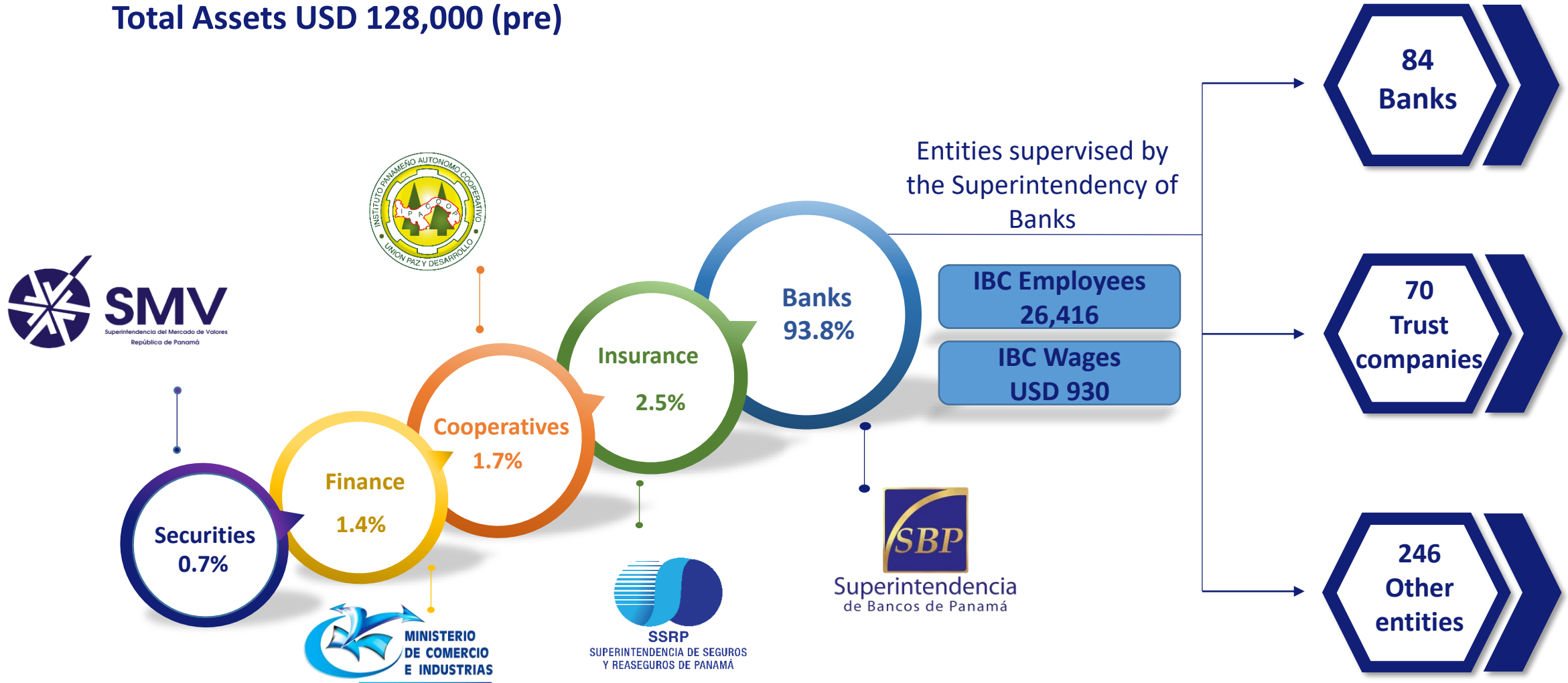
# Panama: International Banking Center RTGS and Modernization of Payment Instruments



# Panama: Financial Sector

(in millions of USD)

Total Assets USD 128,000 (pre)



# Superintendent's Management 2018

## Human talent SBP

478

SBP employees

Training for technical  
areas 24,806 hours

75.6% Banking  
supervisor career

Reinforcement of  
Technical areas - AML

## Banking Industry

E-Learning 30,297  
participants

Atoms: 28 Seminars

Other supervised entities:  
27 Training seminars,  
3,211 participants

## Laws and Regulations

LCR

Derivatives

Market Risk

Operational Risk

Interest rate risk  
(Banking Book)

Updating Rule on  
Investments based on  
IFRS 9

## Administrative management

ISTMO system  
implementation

90.3% expense efficiency

100% income collection

1<sup>st</sup> International Congress  
planning

## Supervisory processes

402

Comprehensive examinations

53

Trust companies

33

\*Other supervised entities

34

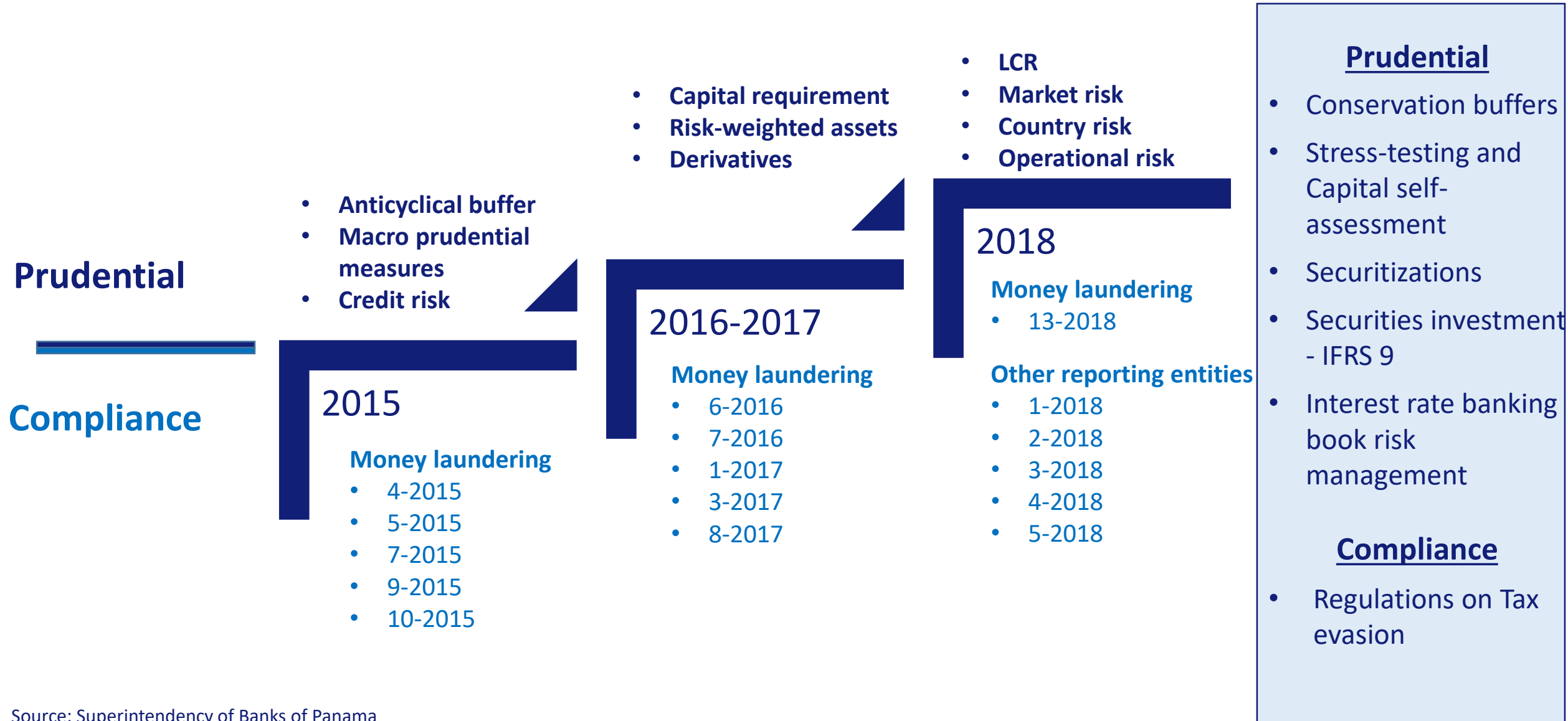
Special FECl

23

Bank security

\* Other supervised entities: Finance, leasing and factoring companies, money service businesses, and exchange bureaus

# Panama: International Banking Center Superintendency of Banks Summary of Regulations 2015-2019



# Panama: International Banking Center Summary

**Favorable macroeconomic and tax context**

**Sound, stable and secure banking system. Liquidity and solvency exceed the legally required percentages. Income vs. expenditure operating efficiency of 1.9 to 1 evidence of profit-generating capacity and equity increases.**

**Roadmap towards Basel III with clear progress in LCR, Capital requirements for credit, market and operational risk. Systemic buffer and stress-testing and capital self-assessment are part of the 2019 rules.**

**AML/CFT framework has strengthened the financial sector. Challenges to strengthen the identification of corporate-style structures**

**Modernization of the financial system and enhancement of financial inclusion.**

**Strengthening SBP's institutional and budgetary autonomy. Supervision and regulation of payment instruments and clearance are short-term challenges.**



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**Thank you!**

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