



Superintendencia
de Bancos de Panamá

2019 Banking Development and Medium-term Outlook

Amauri A. Castillo
Superintendent of Banks

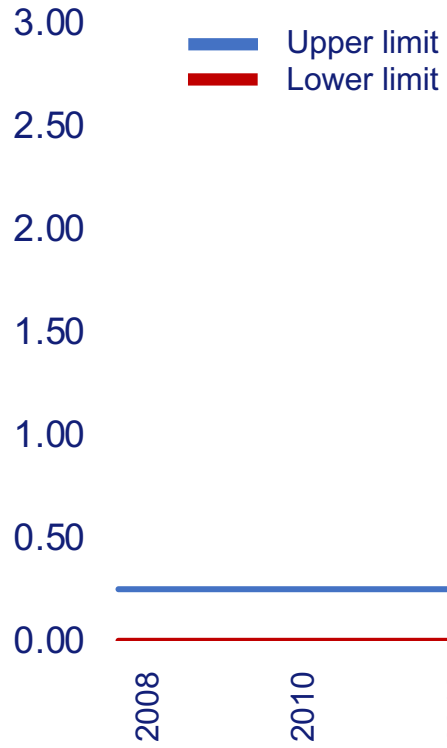


Outline

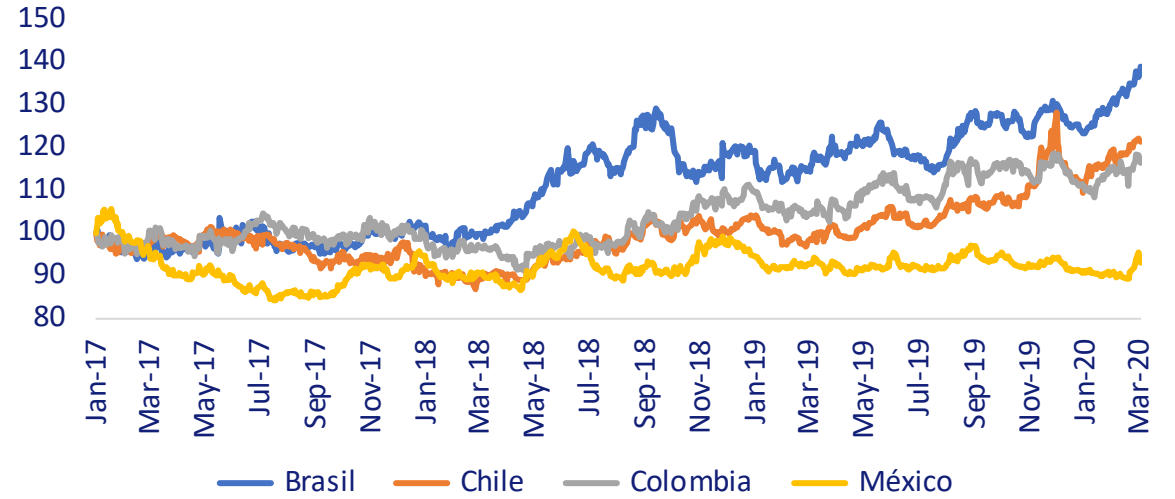
- 01** International economic context
- 02** National economic context
- 03** 2019 Performance of the Banking Center
- 04** 2020-2021 Regulatory Roadmap
- 05** FATF Assessment Agenda
- 06** Financial System modernization
- 07** Conclusions

International Economic Context

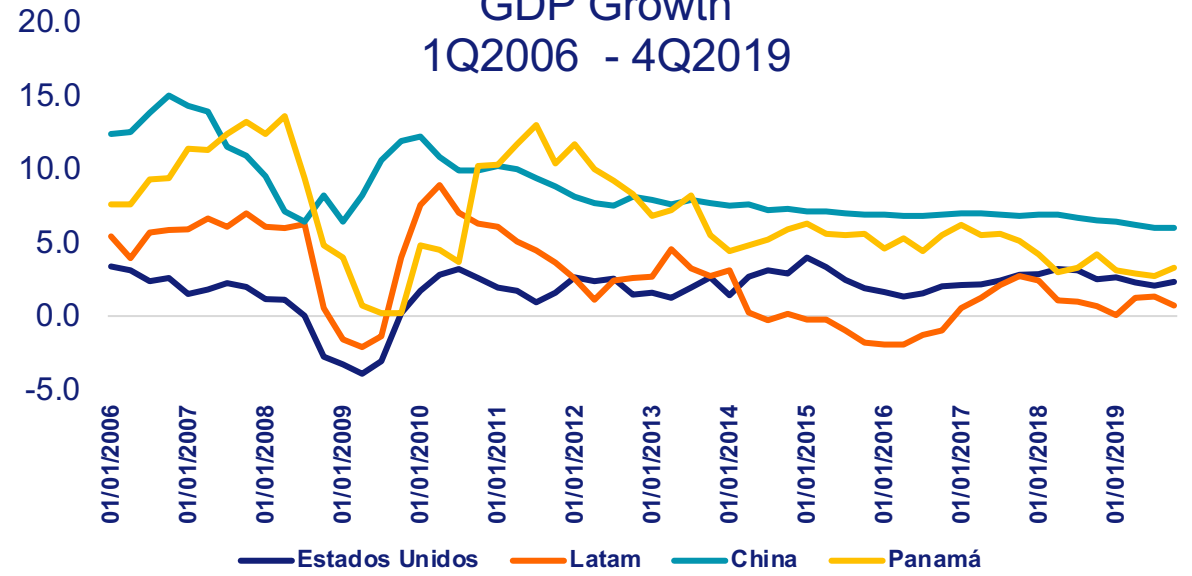
Federal Funds
(Target Range)
Jan. 2008 – Mar. 2020



LATAM Exchange Type – Index
(Jan. 2017 = 100)



GDP Growth
1Q2006 - 4Q2019





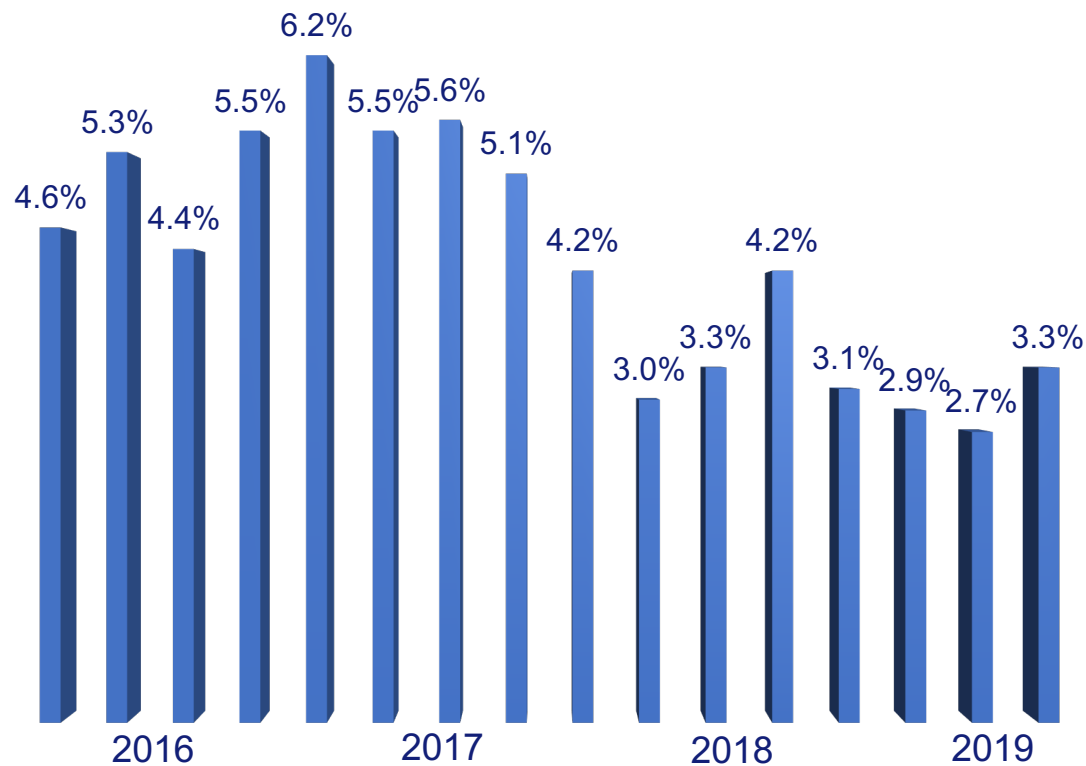
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National Economic Context

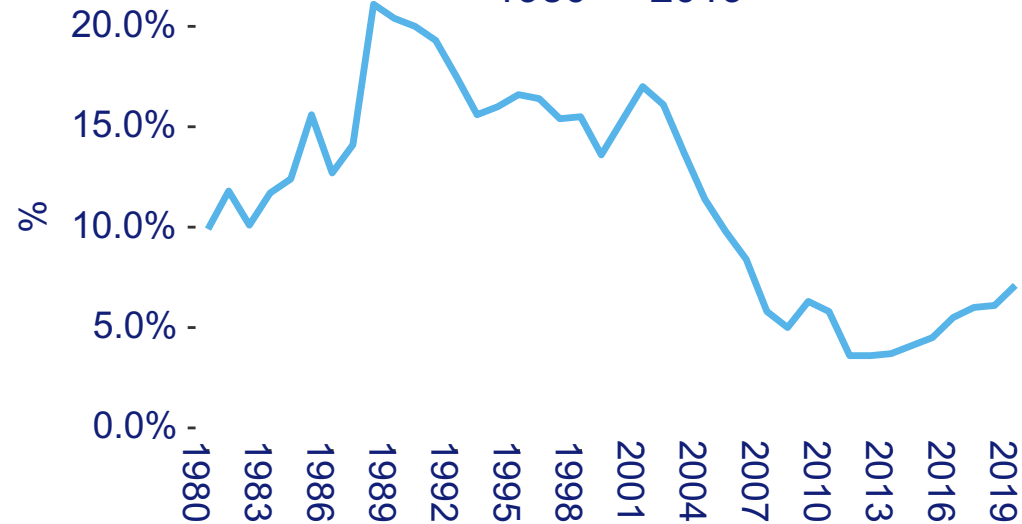
GDP Growth 1Q2016 - 4Q2019

7.0%
6.0%
5.0%
4.0%
3.0%
2.0%
1.0%
0.0%

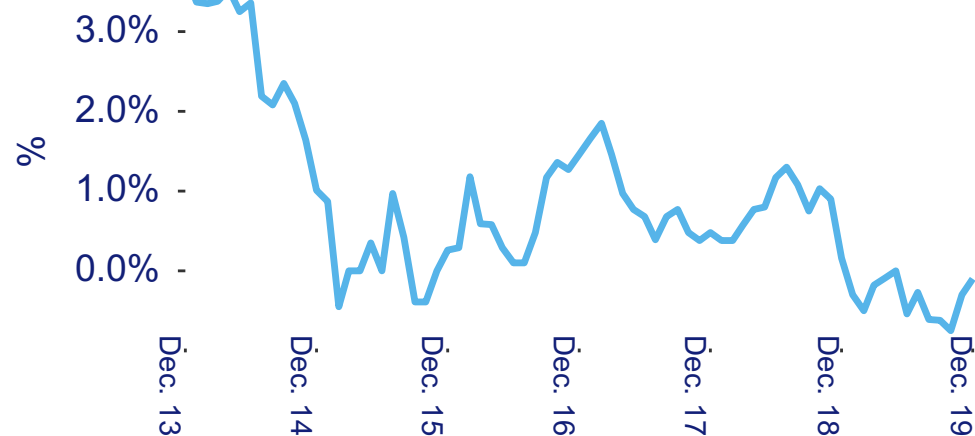


Source: NISC

Unemployment Rate 1980 - 2019

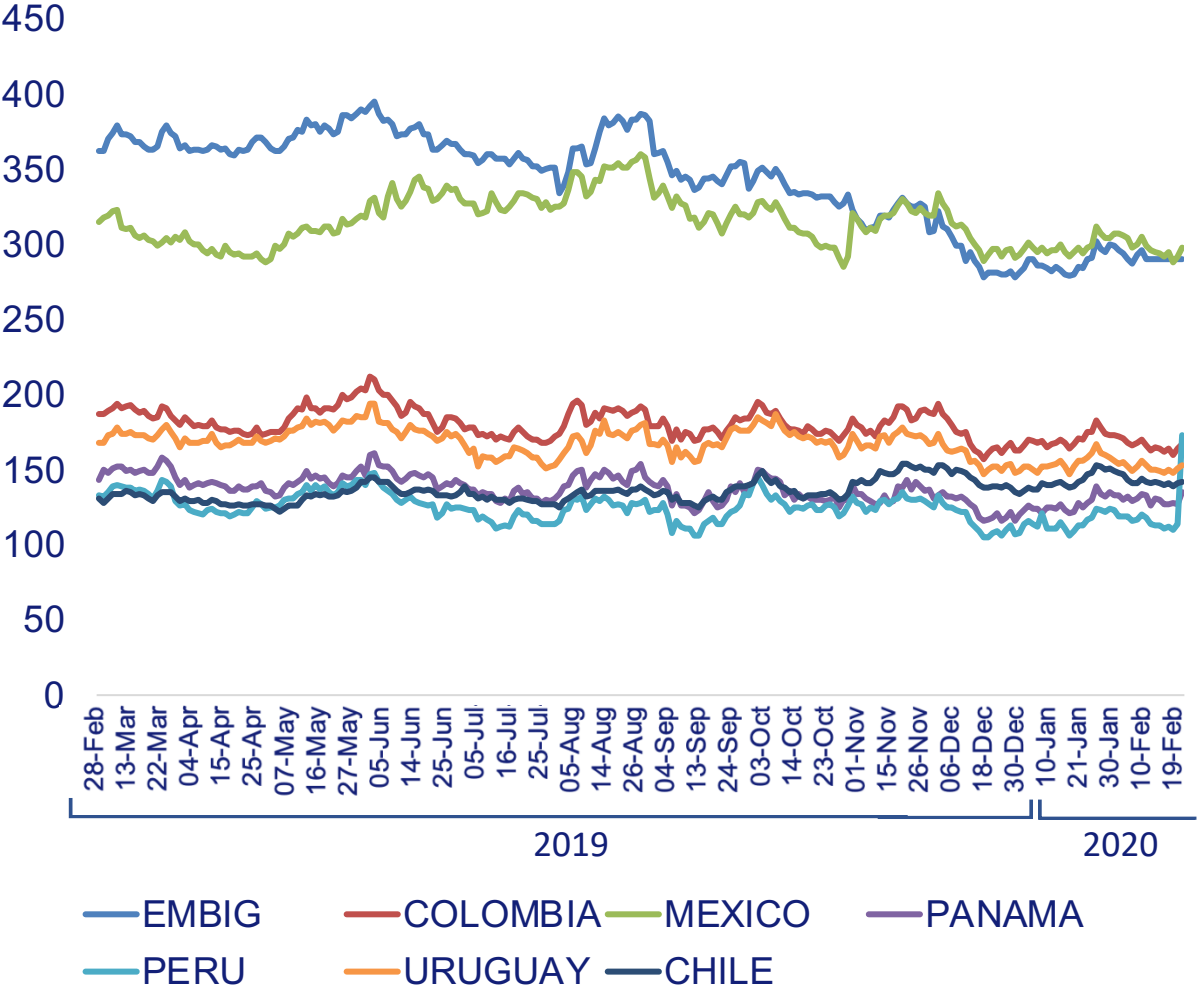


Consumer Price Index Dec. 2013-2019

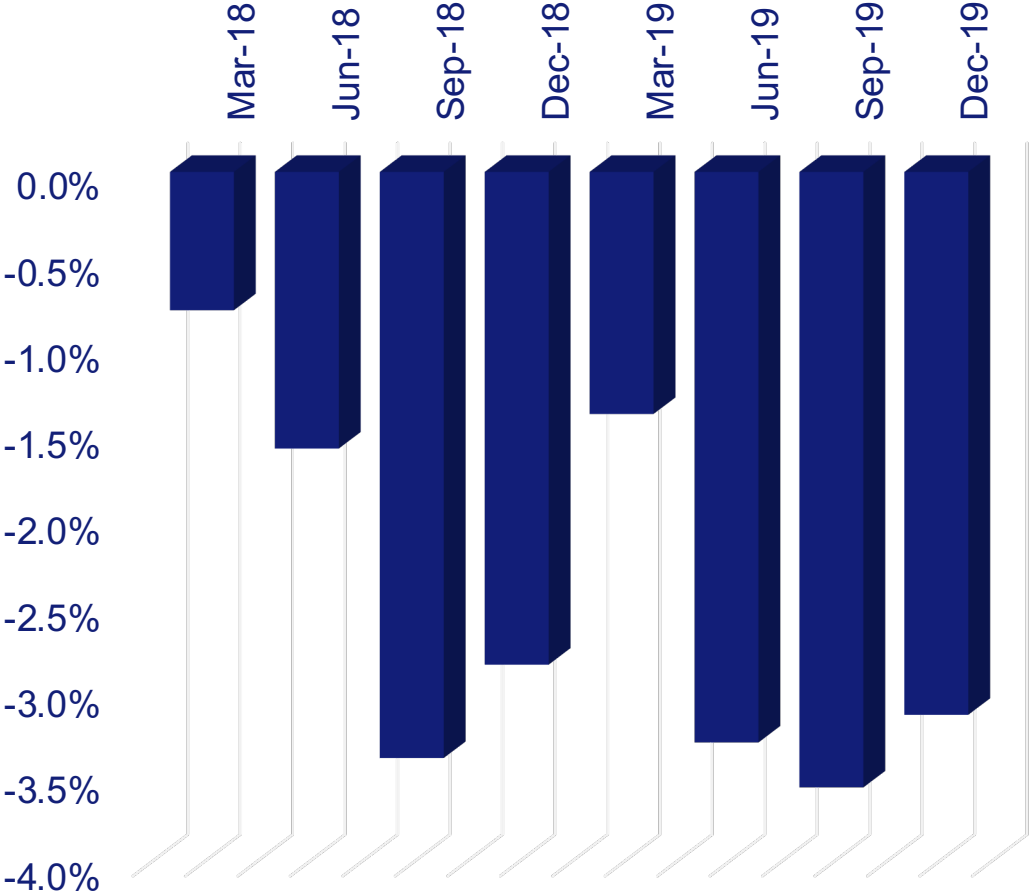


National Economic Context

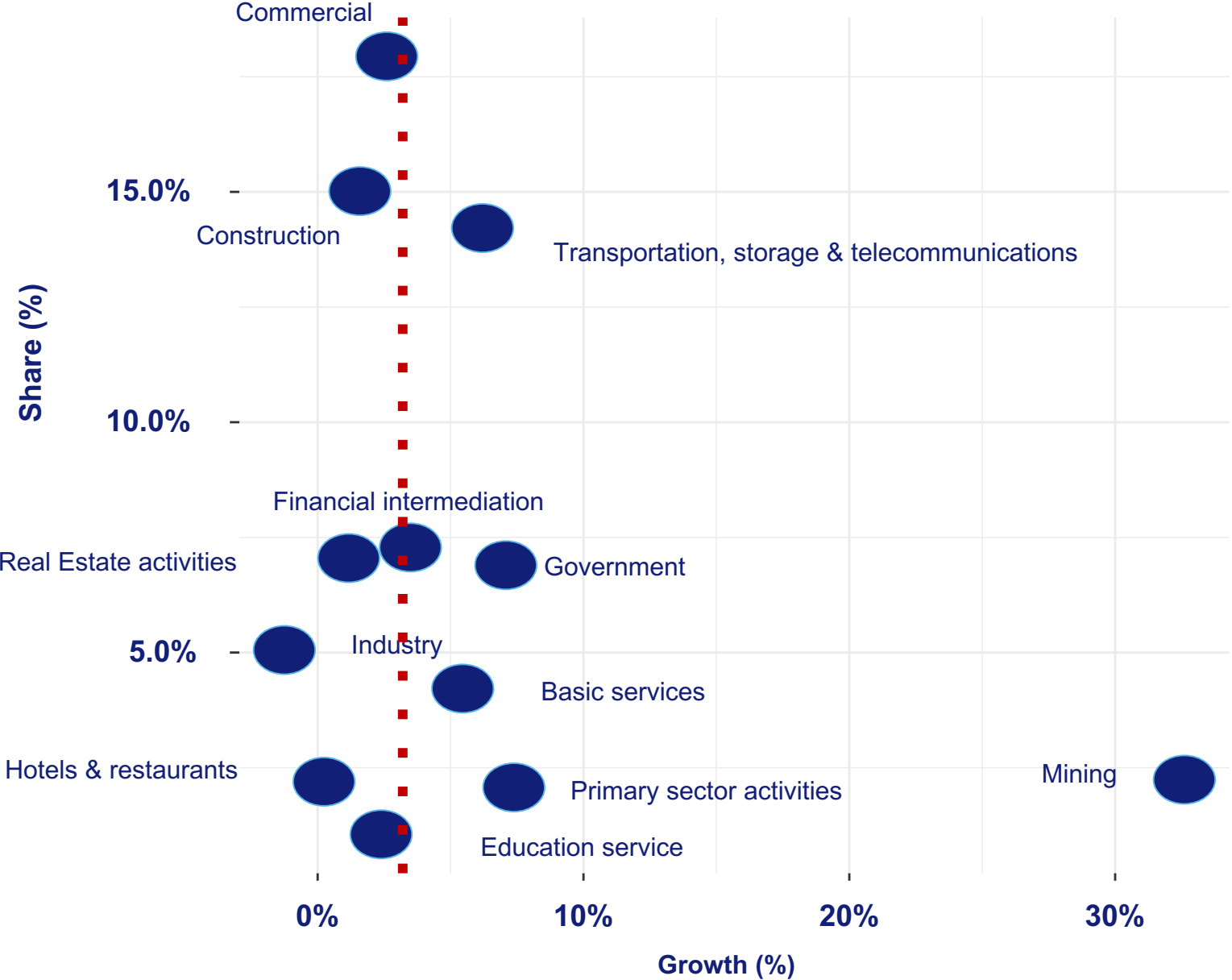
EMBIG Spread - LATAM
28 Feb. 2019 - 21 Feb. 2020



NFPS Deficit
Mar. 2018 – Dec. 2019



National Economic Context

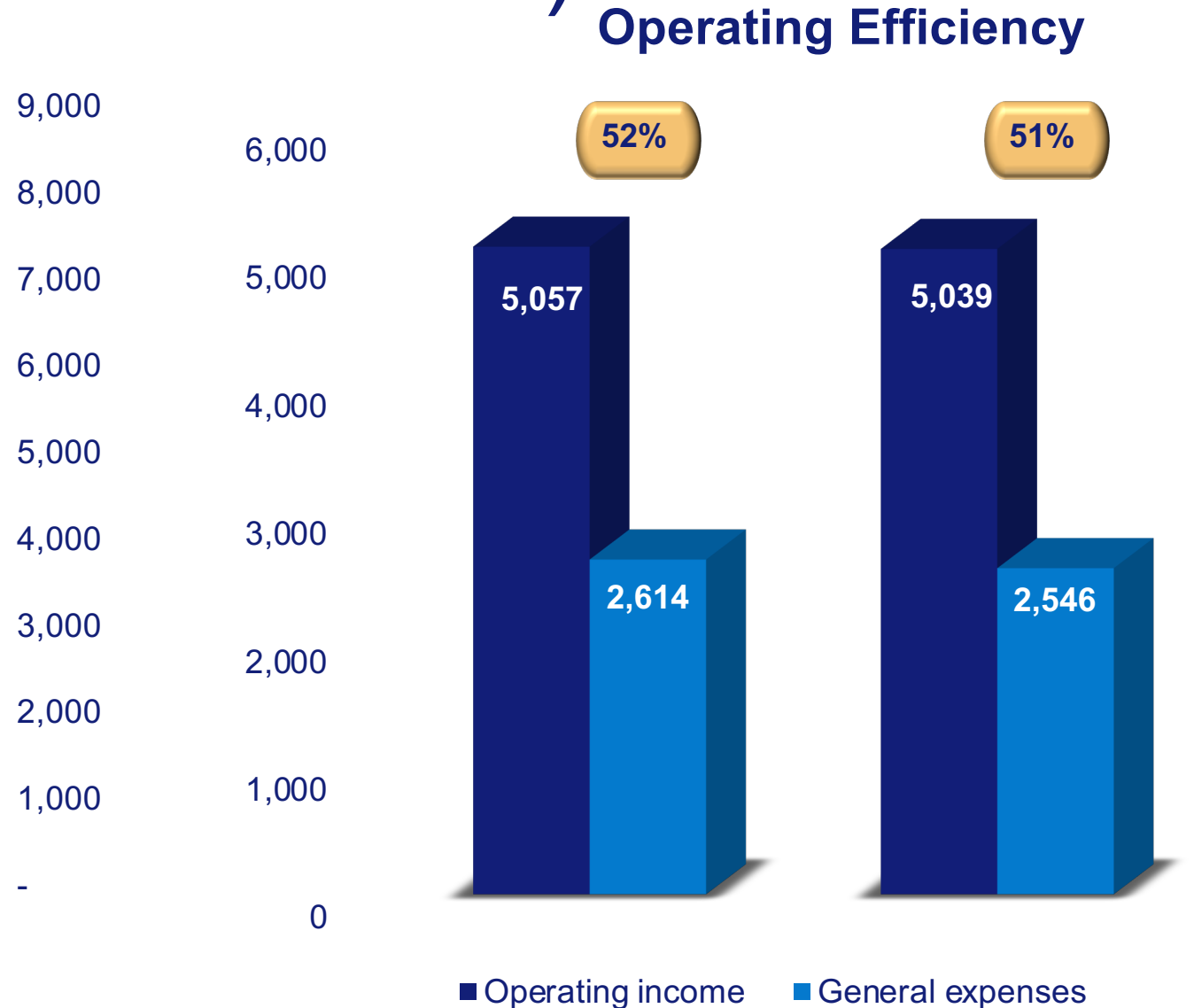
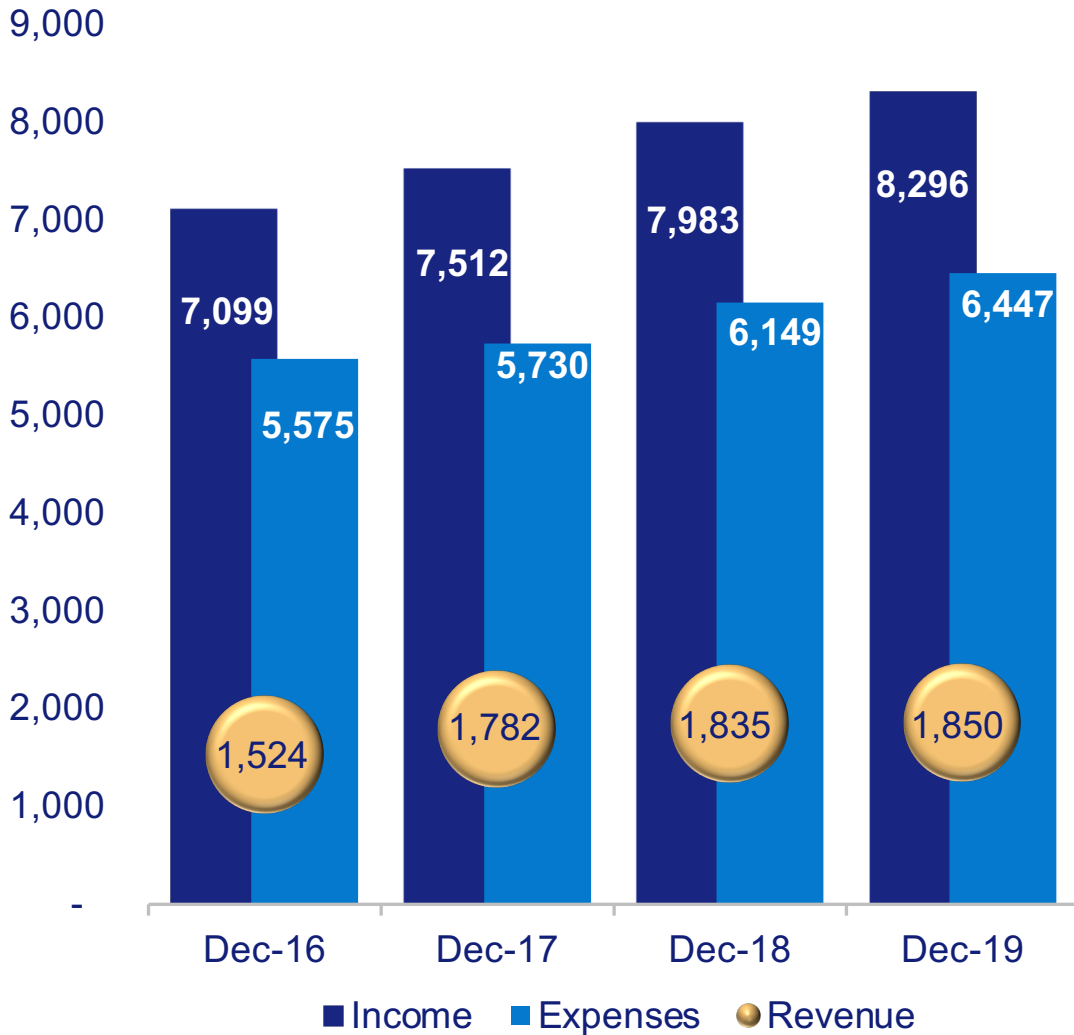




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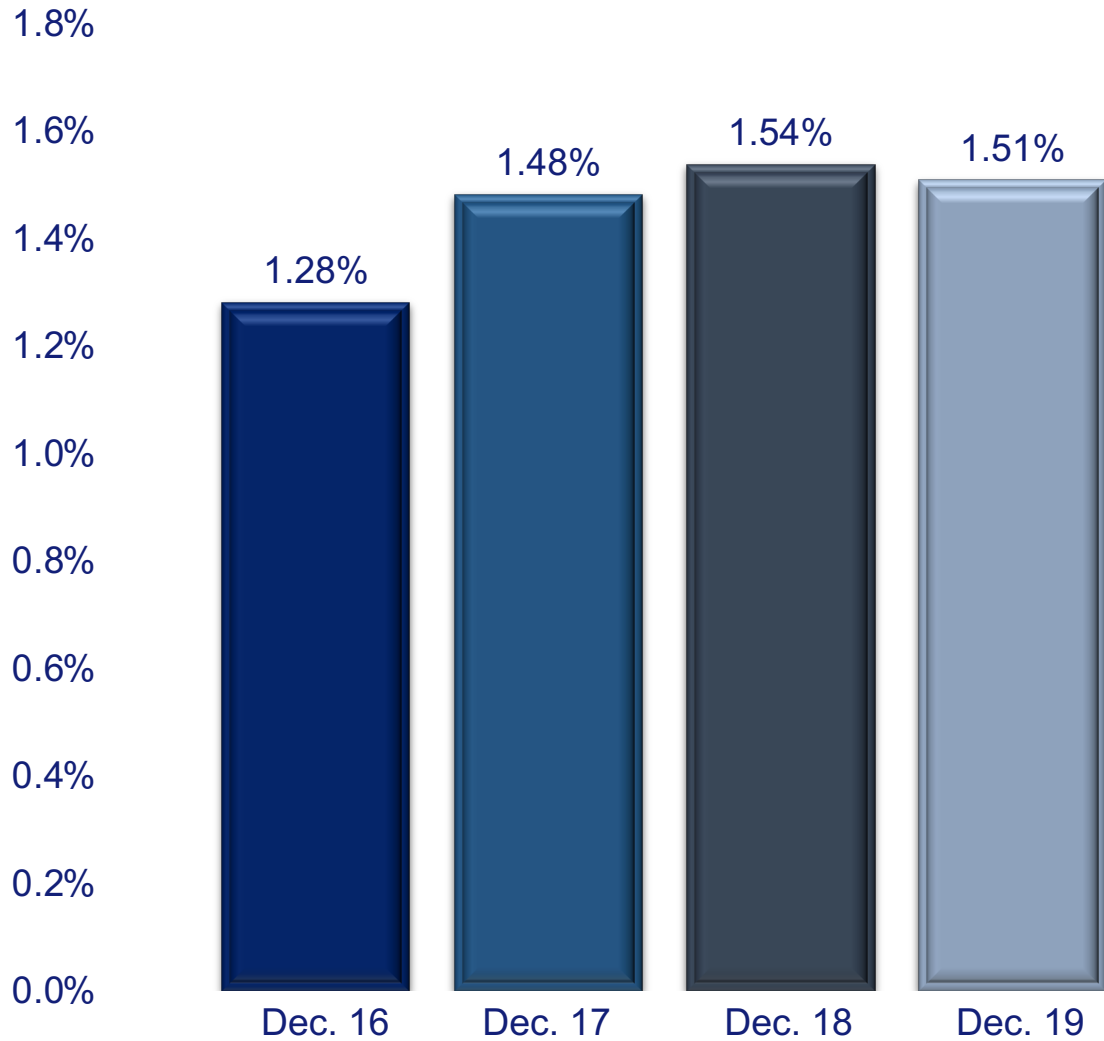
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IBC: Profit Statement (in millions of USD)

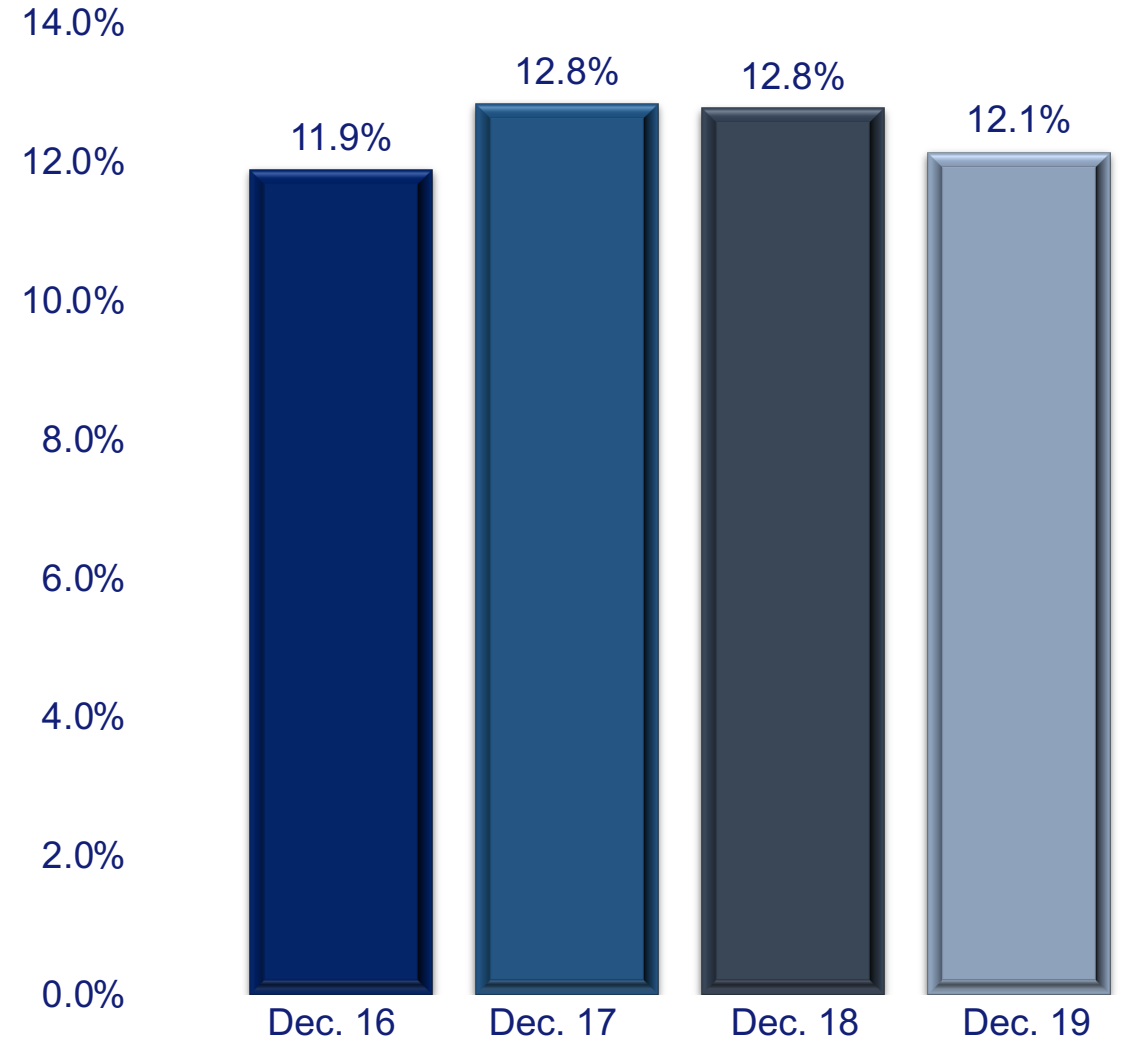


IBC: Profitability Indicators

ROA



ROE



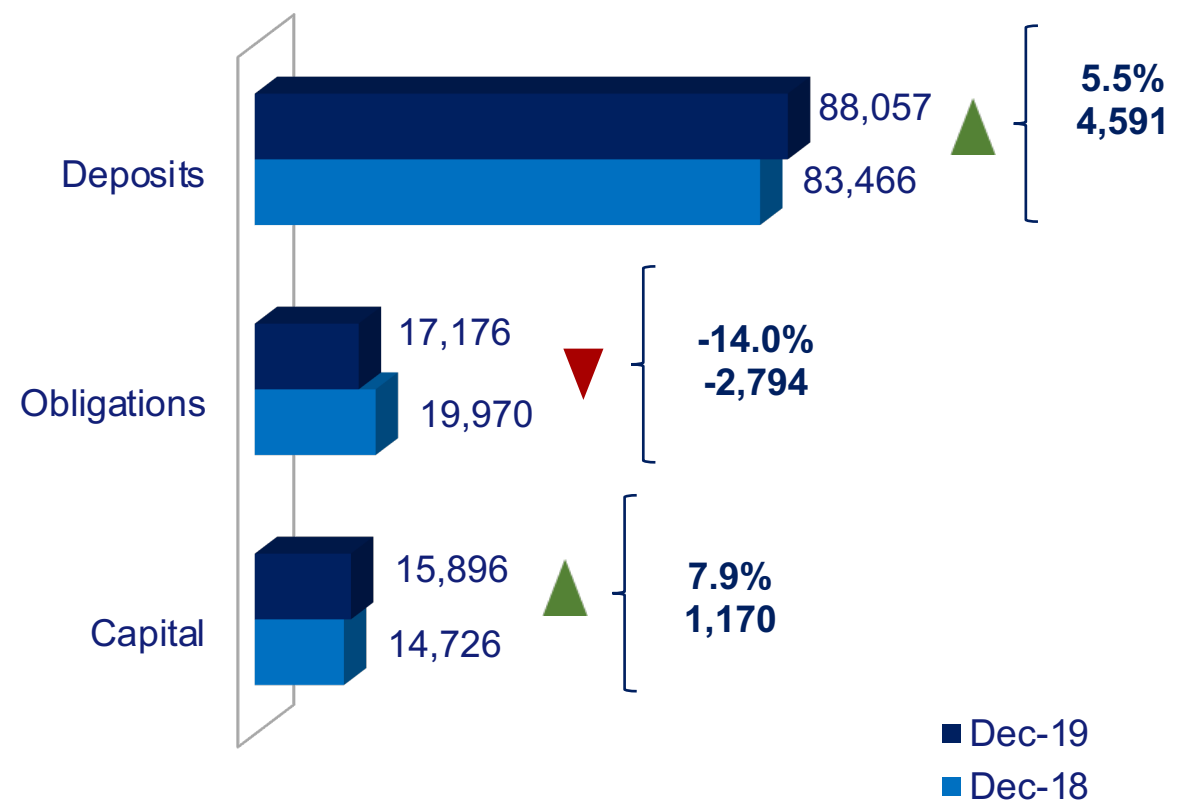
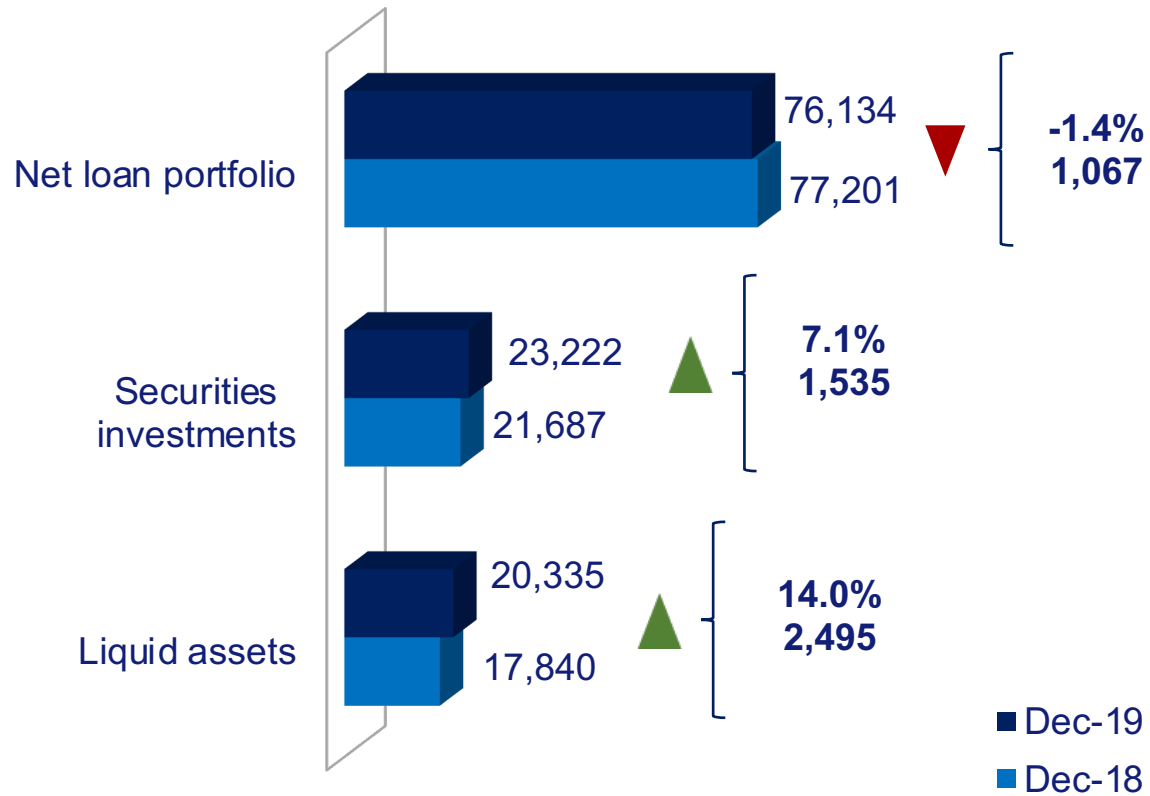
IBC: Balance Sheet (in millions of USD)

Total Assets USD 124,980

▲ 2.9 %

Assets

Liabilities



IBC: Loan Portfolio (in millions of USD)

Domestic loans to the private sector grew by 2.3%. The activities that contributed the most are retail banking, both mortgages and personal loans.

Domestic portfolio
USD 55,212

71%

**International
Banking Center**

USD 77,579

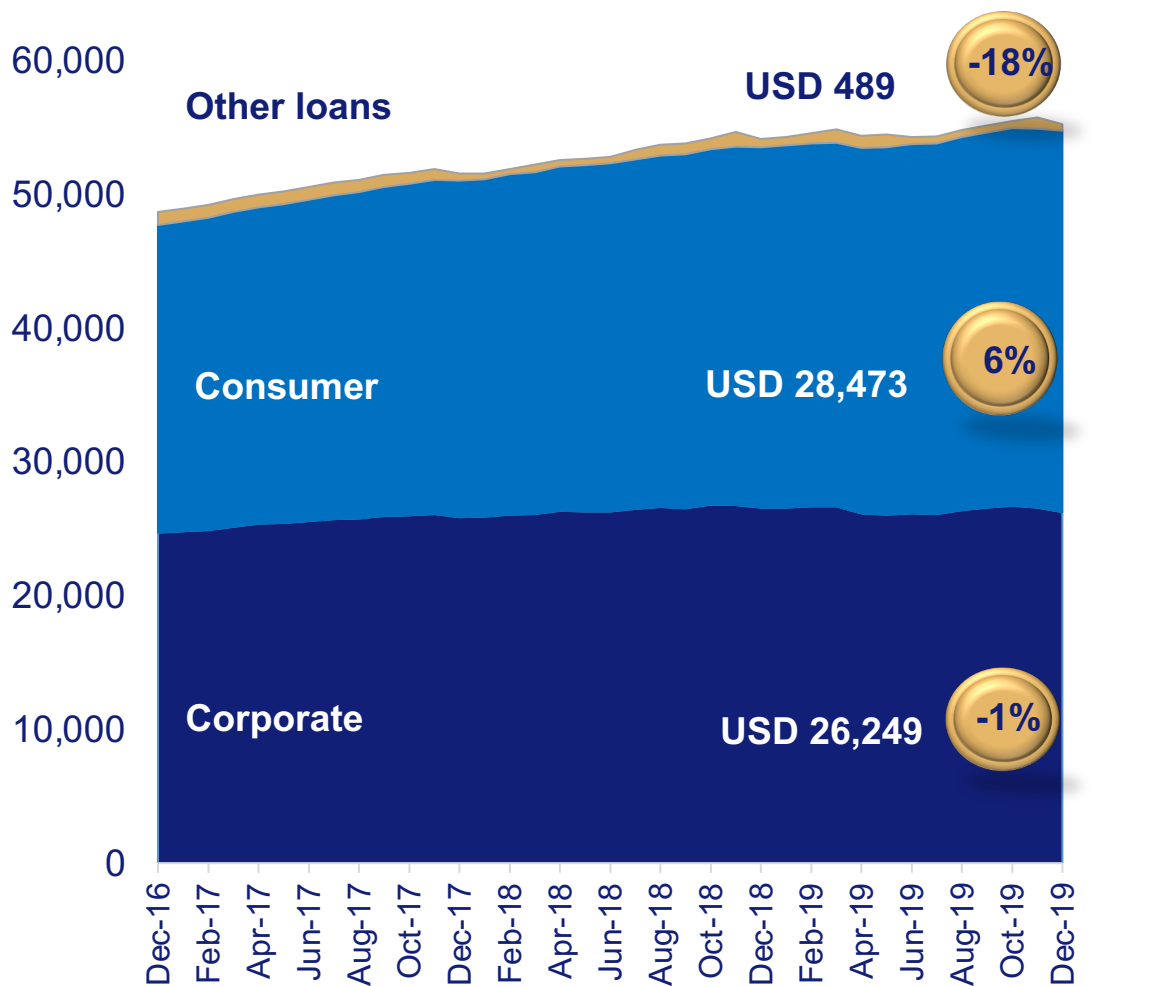
29%

Foreign portfolio
USD 22,367

Foreign loans have shown a decrease in operations, mainly in commercial activities.

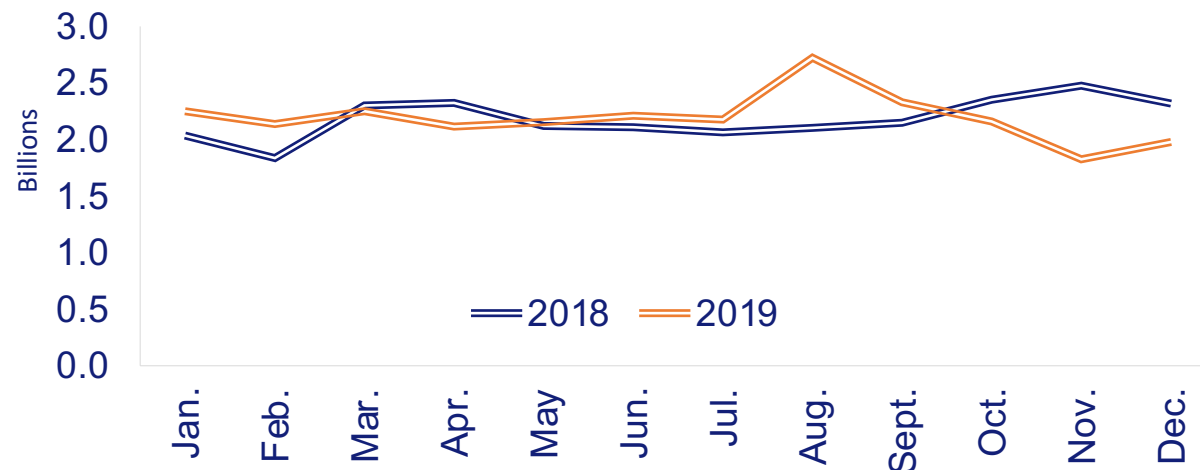
NBS: Domestic Loan Portfolio (in millions of USD)

NBS Loan by Sector USD 55,212

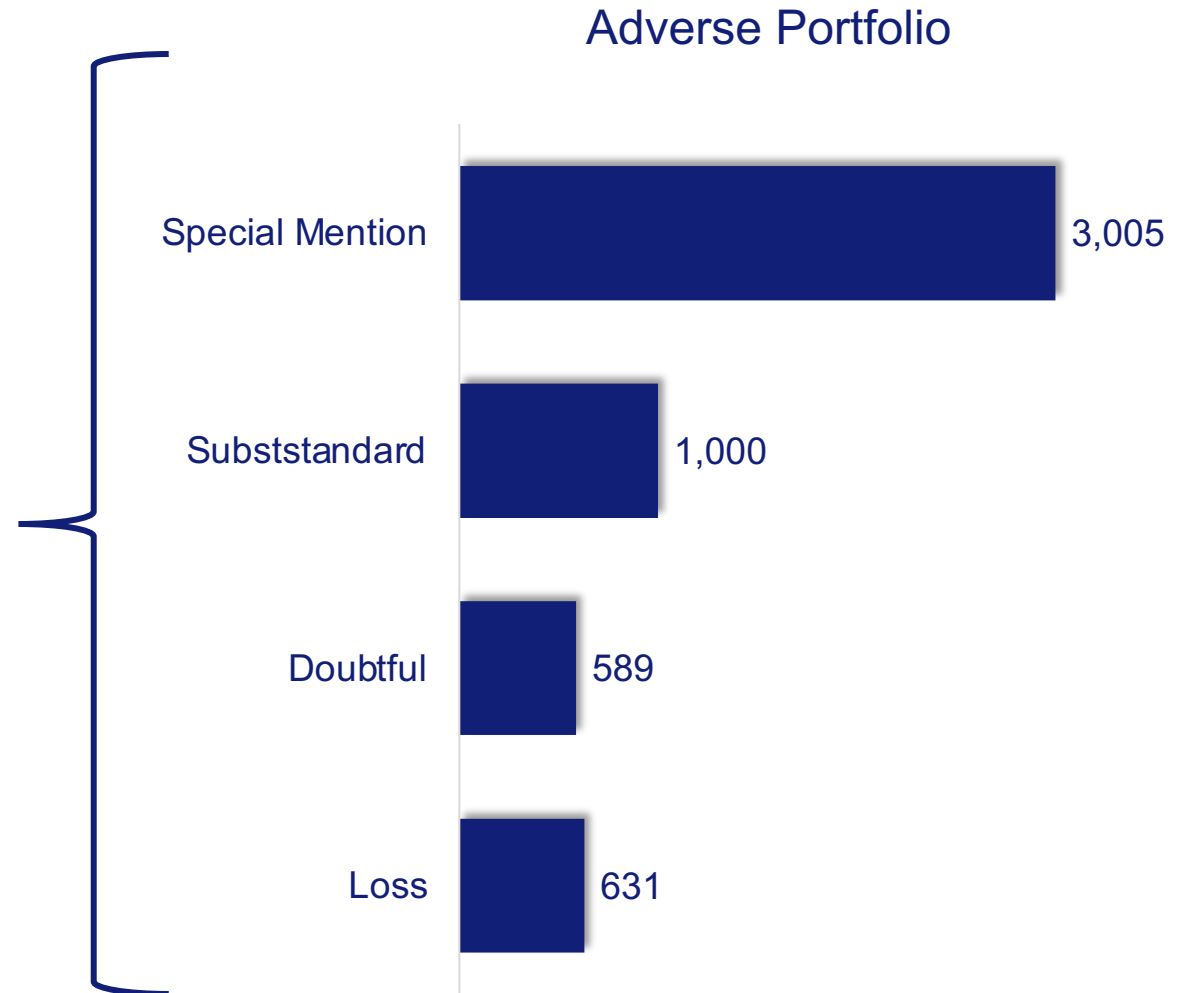


	Dec.-18	Dec.-19	Diff. 19/18
Retail banking	26,943	28,473	1,530
Consumer	12,020	12,582	562
Car loan	1,781	1,776	-5
Personal loan	7,757	8,308	551
Credit card	2,482	2,498	16
Mortgages	14,923	15,891	968
Main household	13,955	14,827	872
Preferential law	5,223	6,030	807
Below 45,000.00	1,072	1,122	50
From 45,000.01 - 80,000.00	2,846	3,142	294
From 80,000.01 - 180,000.00	1,305	1,766	461
Non-preferential	8,732	8,796	64
Second household	968	1,065	97

Disbursement of New Loans



NBS: Classification of Domestic Portfolio Dec. 2018-2019 (in millions of USD)

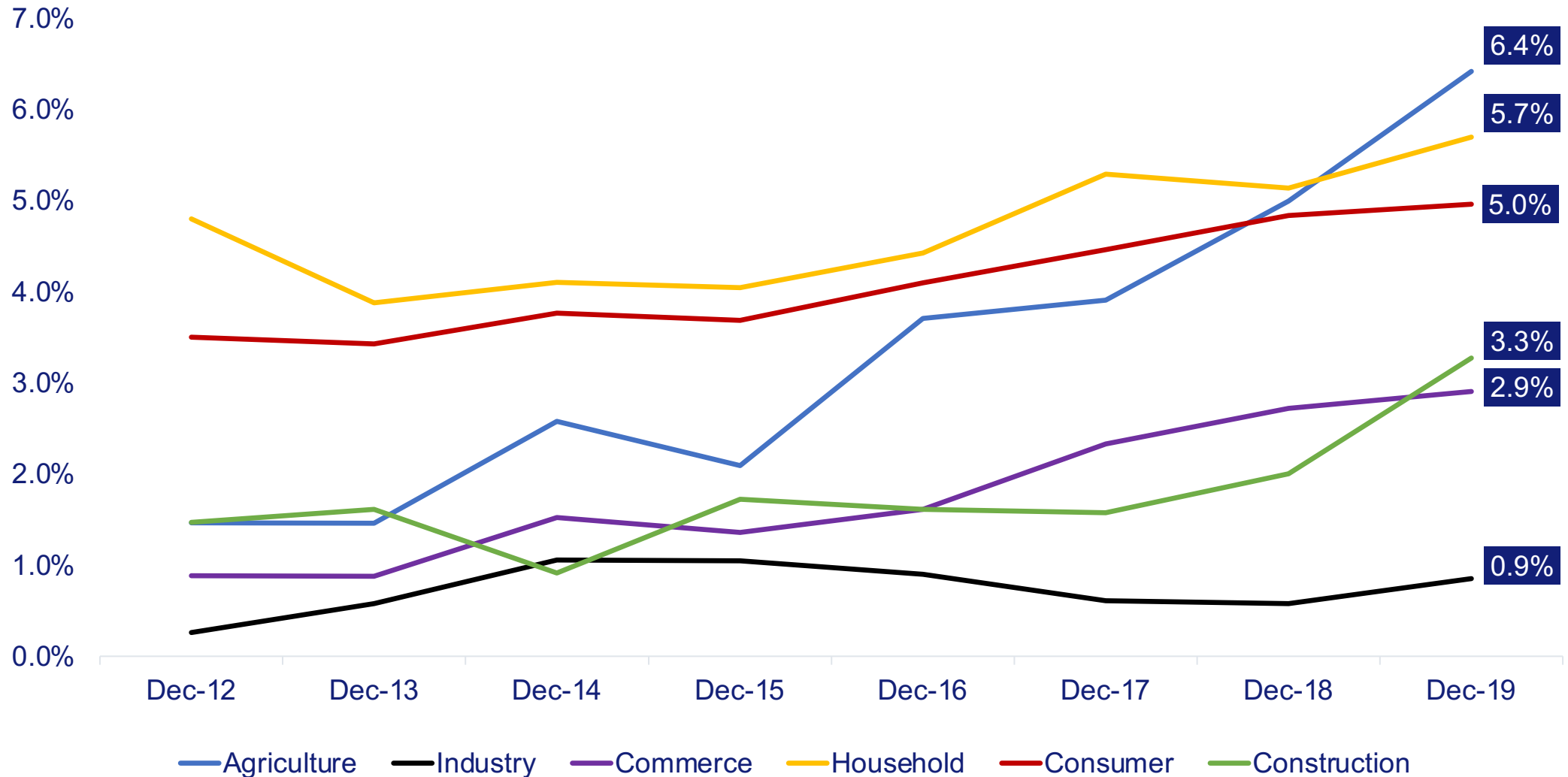


IBC: Portfolio Quality

Dec. 2018 – 2019 (in millions of USD)

	2018		2019	
	Domestic	Foreign	Domestic	Foreign
Total portfolio	USD 54,119	USD 24,382	USD 55,212	USD 22,367
Delinquent portfolio	USD 1,063	USD 72	USD 1,229	USD 70
Nonperforming loans	USD 1,073	USD 165	USD 1,226	USD 162
Delinquent/total portfolio	2.0%	0.3%	2.2%	0.3%
NPL/total portfolio	2.0%	0.7%	2.2%	0.7%

IBC: (D+NPL)/Total Activity Portfolio (in percentages)



New Structures for Financial & Risk Monitoring

New Accounting Atom

Will become effective on 3Q2020, currently it is sent in parallel to the current accounting atom.

New Single Account Plan, updated according to the latest IFRS updates and greater statistical and financial detail. From the original 630 accounts the new plan has 846 accounts.

CINU

New Economic Activity Table
Will become effective on 3Q2020, currently it is sent in parallel to the current loan atom

Implementation of the National Industrial Classification Catalog (CINU, for its acronym in Spanish). From the original 70 activities the new CINU contains 700 activities.

BAN 19

New Correspondent Relationships Atom

Description on the financial relationships banks have. (International payment systems, lines of credit, foreign trade, among others).

New Penalties Atom

Description of the penalties incurred by banks to monitor segments with highest credit risk.

Levels of losses obtained and removed from the balance sheet, such as amounts recovered.

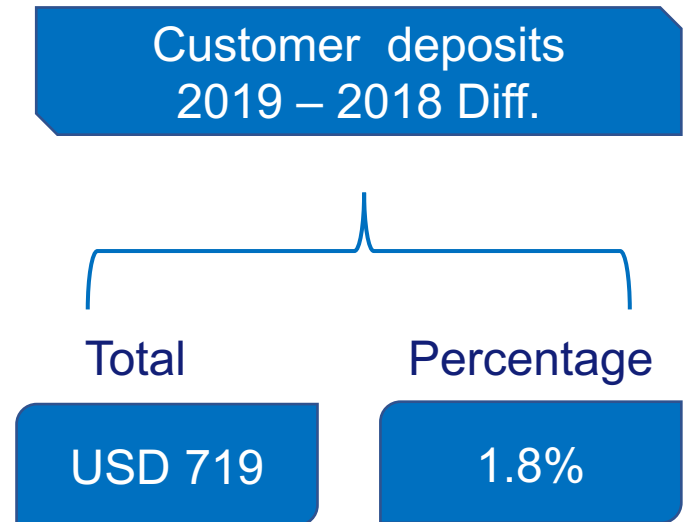
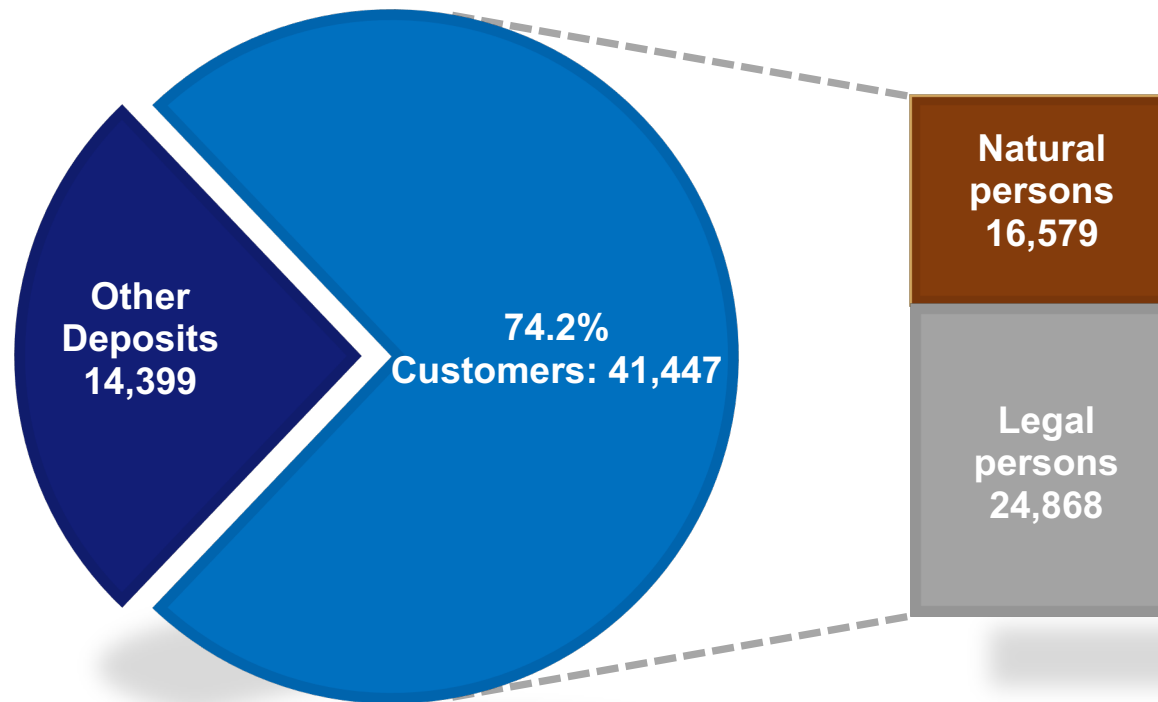
New Income Box in Loan Atom

LTI

Detailed information on the debtors to measure indebtedness. With this information, the indicator required by the BIS III and IMF for the level of on the indebtedness or the debt/income ratio can be obtained.

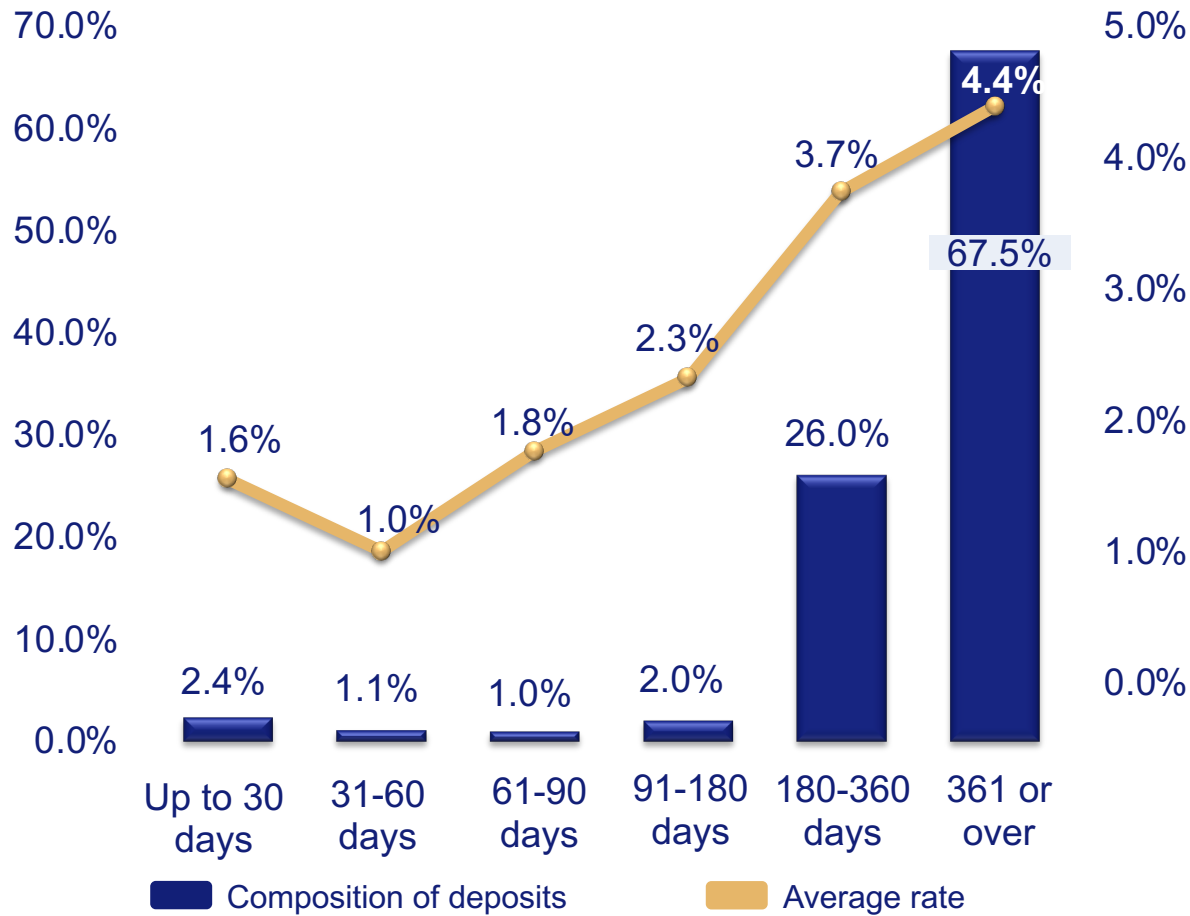
IBC: Domestic Deposits (in millions of USD)

■ Other Deposits * ■ Natural persons ■ Legal persons

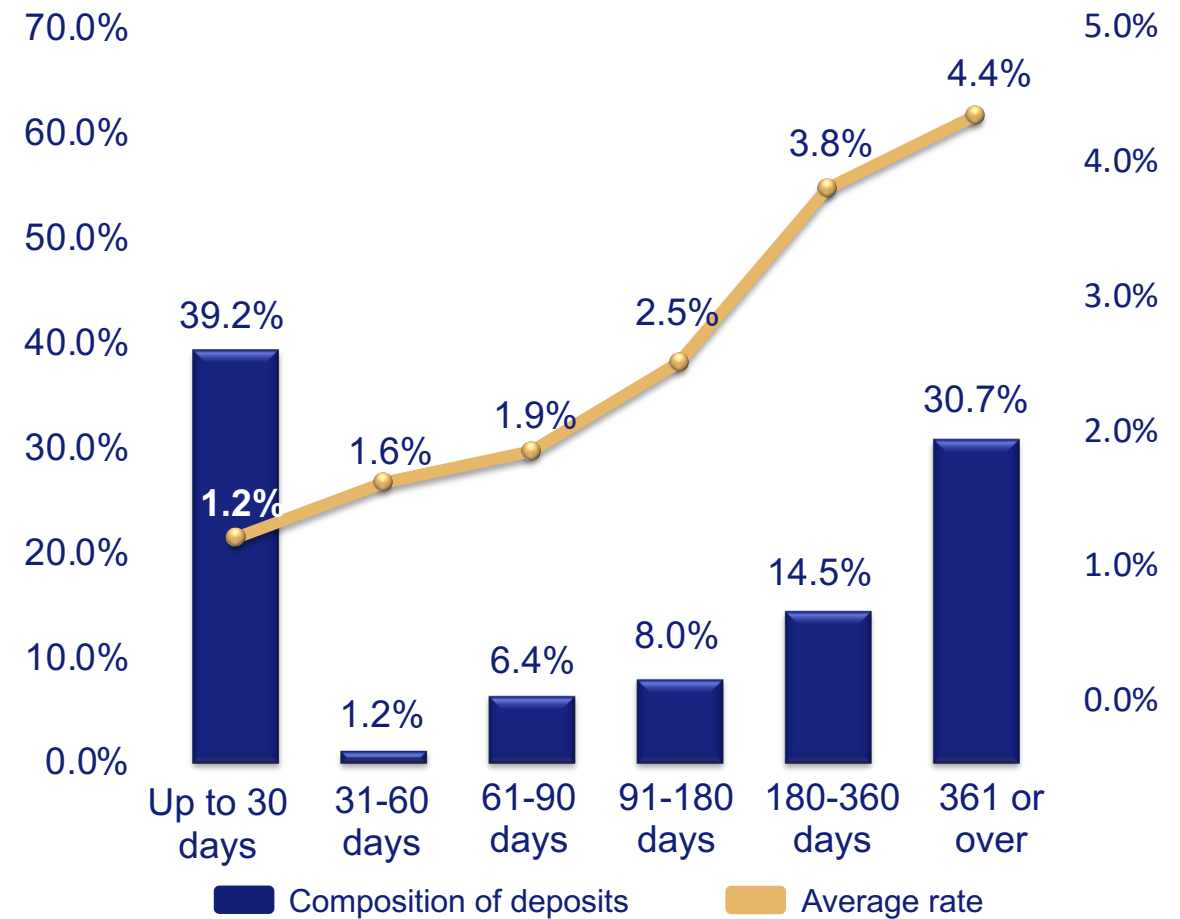


NBS: New Time Deposits Dec. 2019 (in percentages)

Natural persons

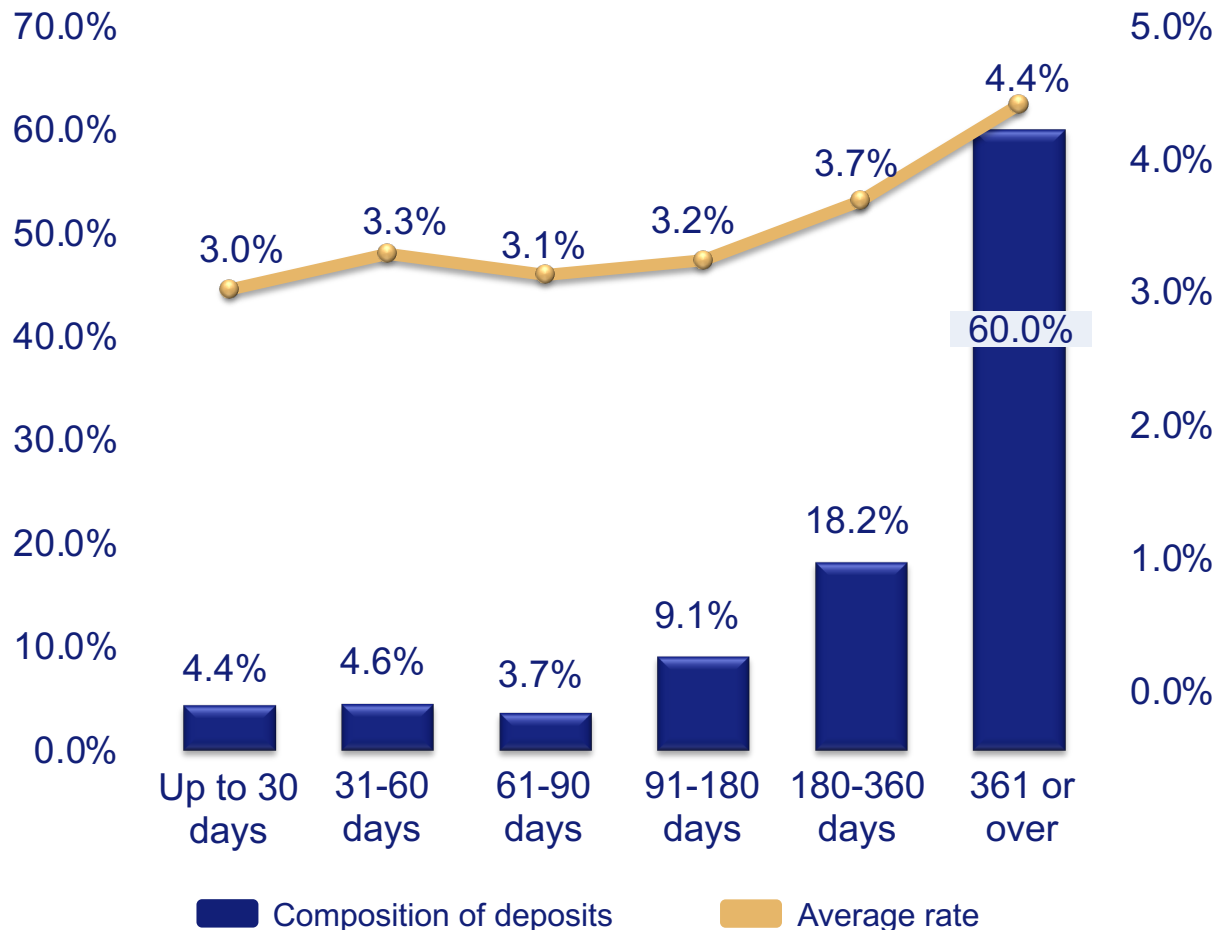


Legal persons

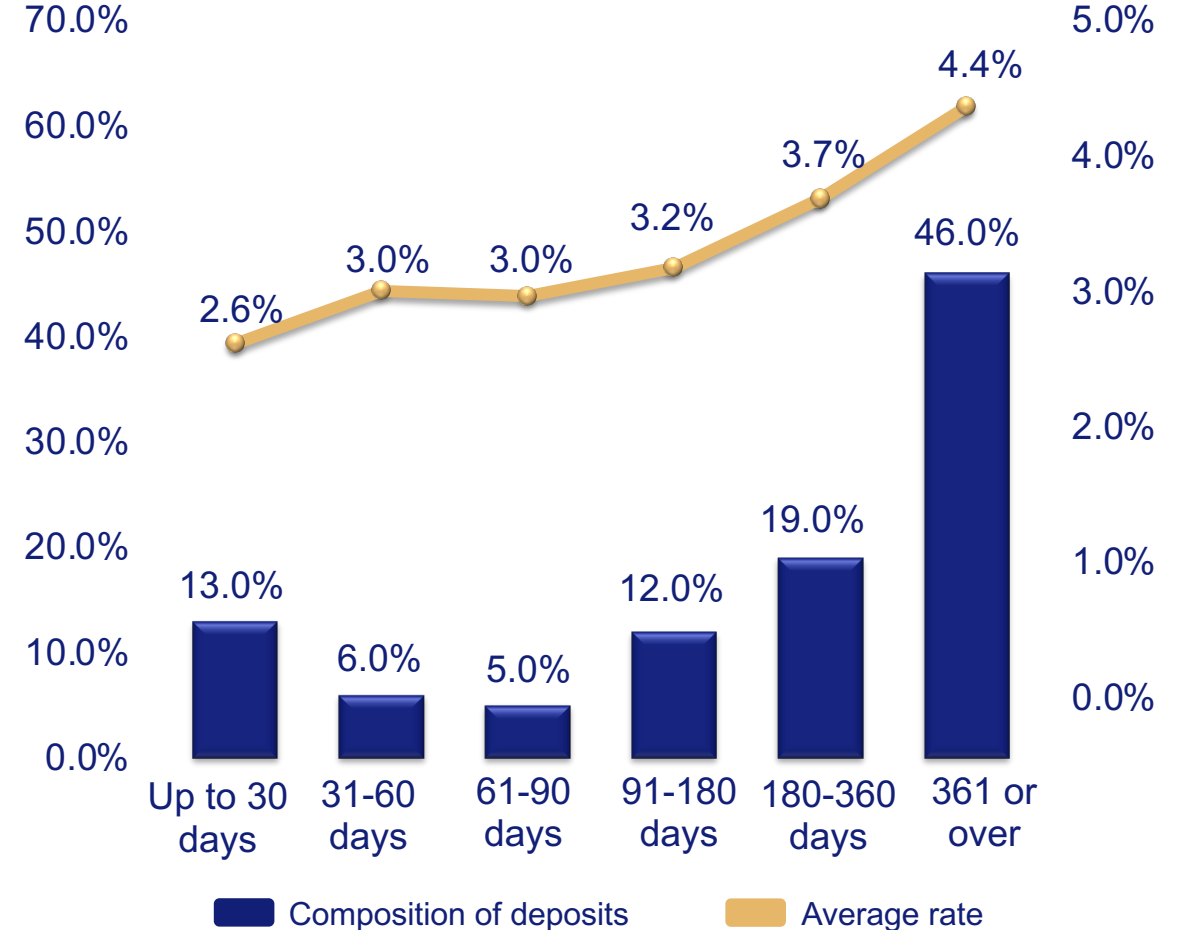


NBS: Renewed Time Deposits Dec. 2019 (in percentages)

Natural persons



Legal persons



LCR – December 2019

Liquidity Coverage Ratio (LCR) 2-2018

- Gradual implementation in 4 stages.
- Implementation (Management), Jul. 2018
- Implementation (Quantitative), Dec. 2018
- Final implementation 2020

Dec-18	Dec-19	Dec-20	Dec-21	Dec-22
25%	50%	65%	80%	100%

Dec-18	Dec-19	Dec-20	Dec-21	Dec-22
12.5%	25.0%	37.5%	44%	50%

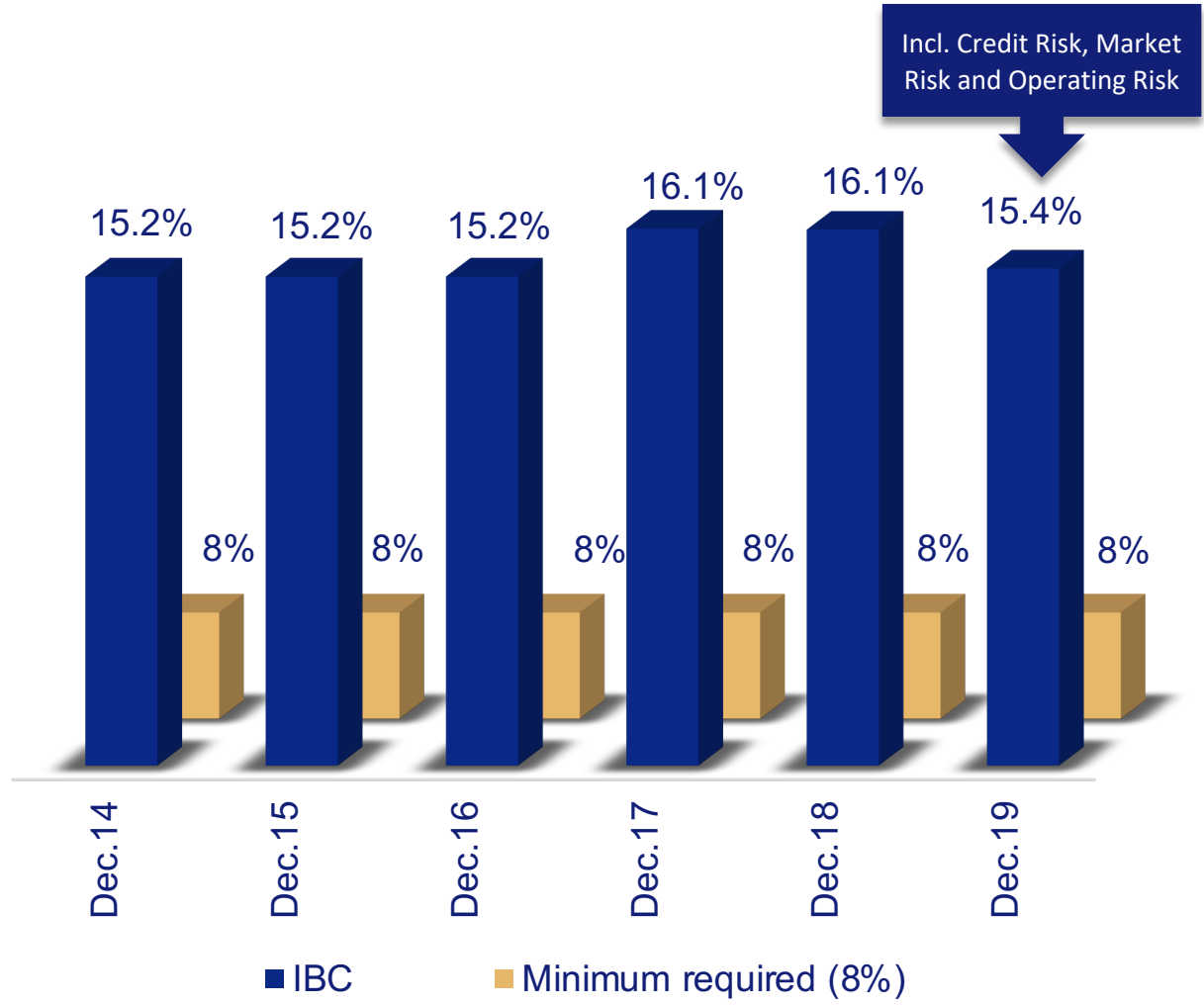
Banks 100% Ratio 31 banks	
26 banks compliant (100% Minimum)	5 banks compliant (50%-100%) AVG. 80.94%

Bancos 50% Ratio 14 banks	
14 banks compliant (0% Minimum)	

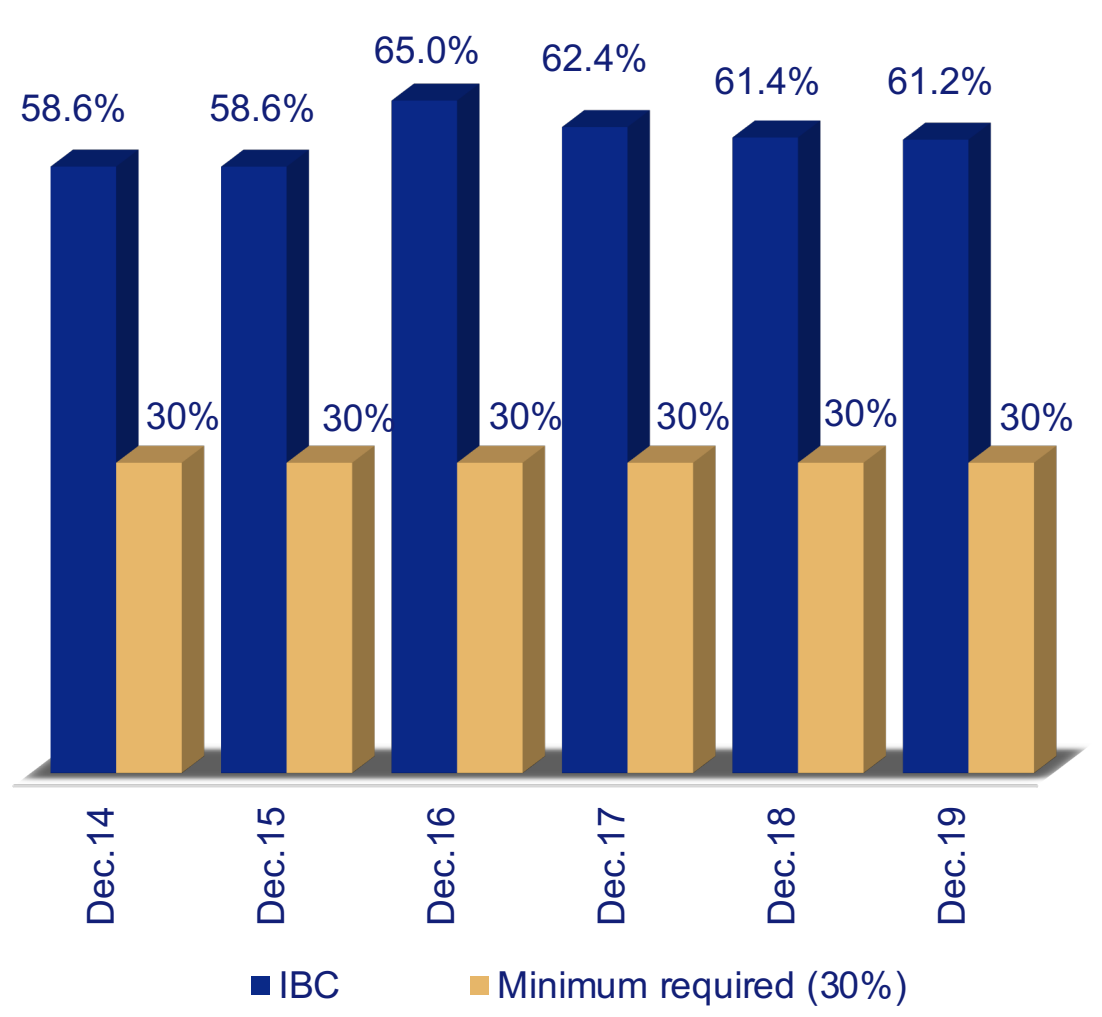
IBC: Solvency and Legal Liquidity Ratios

Capital Adequacy Ratio

Incl. Credit Risk, Market Risk and Operating Risk



Legal Liquidity Ratio



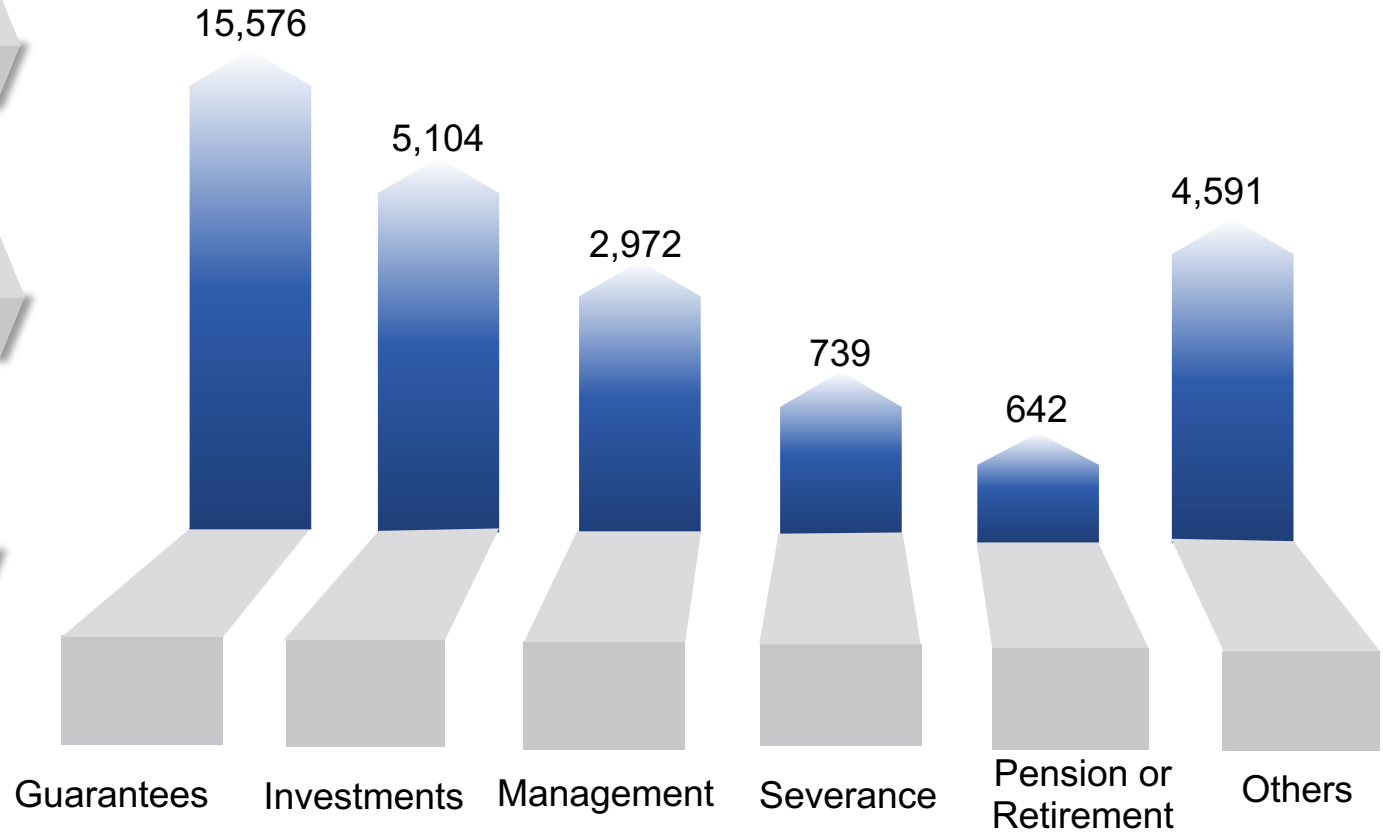
Trust companies

70



Type of Trust Fund
(in millions of USD)

Total USD 29,626



Main Risk Factors

01

Underperformance
of Net Interest
Income

02

Less growth and
higher cost of the
private funds of the
system.

03

Follow up of
restructured
operations.

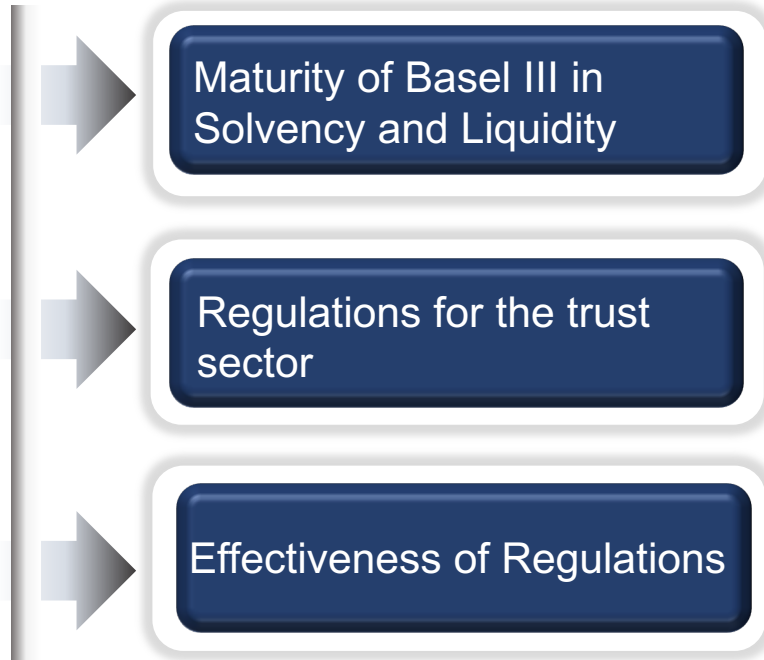


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Regulatory Roadmap

Regulatory Priorities



Bank Rescue

- ▶ Simplification to 2 phases
- ▶ New rescue tools and instruments
- ▶ Different management to Systemic Banks
- ▶ Block or partial sale of loans
- ▶ Priority to execute collaterals of derivative contracts, repos (netting)

Cybersecurity

Risk Management
(Rule 4-2013)

Corporate Governance

Compliance duties



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Relationship with FATF's ICRG

Terrorism Financing (TF) Risk Assessment update

- Disclosure of Update with World Bank's TF expert

Proactive measures to fight unlicensed money service businesses

- Law that penalizes unlicensed money service businesses.
- Inter-agency Joint action plan

Effective identification of Final Beneficiaries in legal structures; emphasis on foreign activity; effective supervision, follow-up on operations and discouragement of using nominal directors

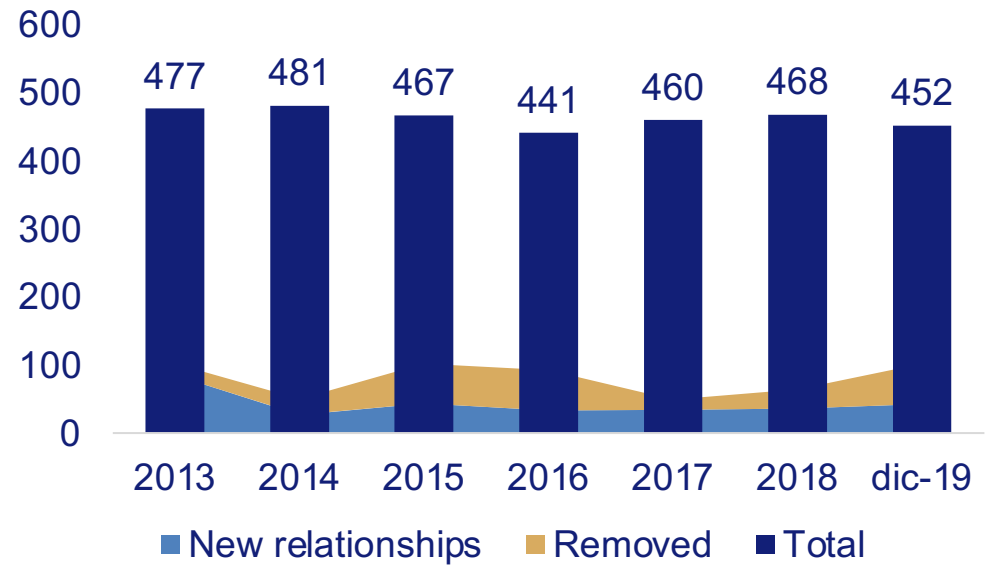
- New legal framework that creates the registry of final beneficiaries and registered agents.
- Cooperation and follow-up on legal structures

Effective use of UAF reports in PPO investigations in identified high-risk sectors, including tax offenses

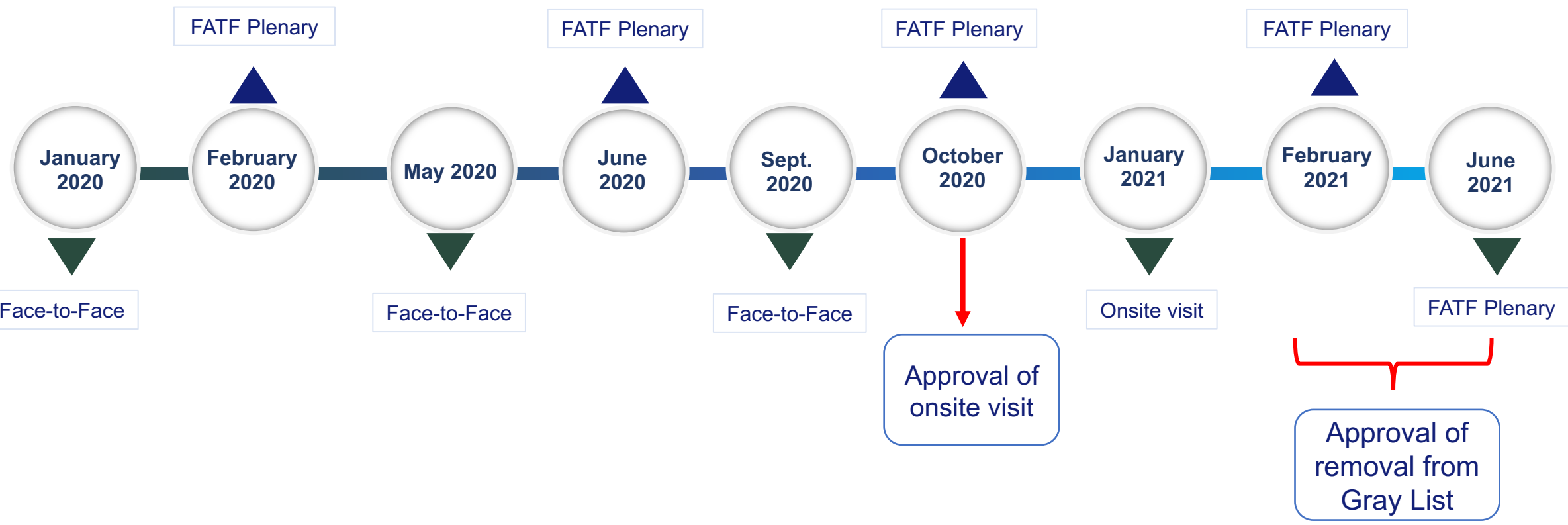
- Evidence of quantity of cases



Banking System Foreign Correspondent Relationships



Timeline of Meetings with ICRG / FATF



During the Face-to-Face meetings, the country must sustain the progress of the Action Plan



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Strategy for the Payment System and Means

Bill for the payment system and means

- ✓ System authorization and licenses
- ✓ Powers of the designated authority
- ✓ Payment and settlement Irrevocability
- ✓ Mechanisms to protect the system from insolvency of participants and operator
- ✓ Collateral protection

Powers to supervise, regulate and oversee the payment system and means

Regulation for digital instruments to be regulated

Regulation for agents and outsourcing applicable to payment system providers

Regulation for innovative products sandboxes

Review of SBP organizational chart

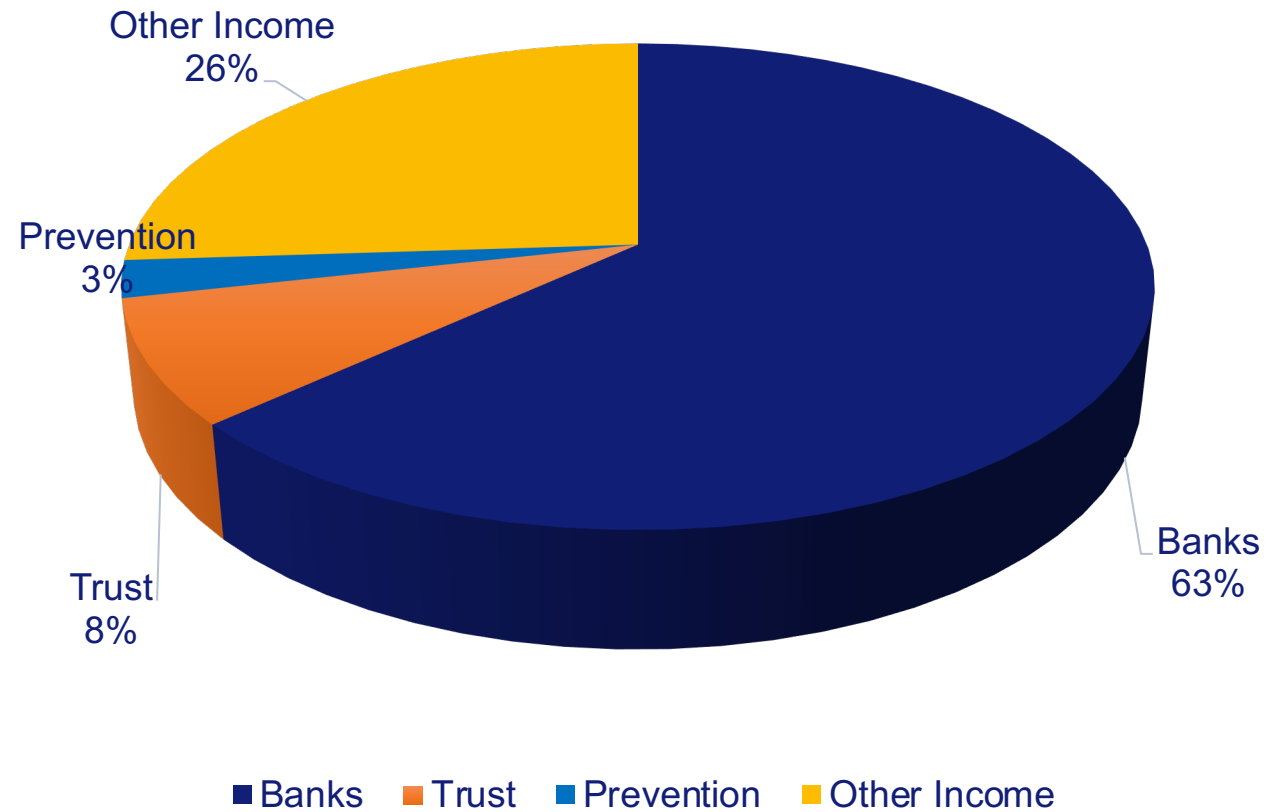
Strategic elements Payment System and Means

- ✓ Institutional architecture of the payment system and means
- ✓ Separation of supervisory and operational roles
- ✓ Protection against liquidity risks
- ✓ Promote innovation and market opening to new players (Fintech)
- ✓ Financial inclusion

SBP Current Income

	Dec.-19
Income	24.2
Regulatory Assessment Fee	5.0
Banking	3.8
Trust	1.2
Examination Fee	12.9
Banking examination fee	11.5
Trust examination fee	0.8
Prevention examination fee	0.6
Other income	6.3
% Fees / IBC Operating expenses	0.70%

Composition of SBP Income





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Conclusion and Key Points

Sound and stable financial fundamentals. LCR Ratio (84% over 100% of coverage) and Basel III Capital Adequacy (15.4% for credit, market and operating risks) are strong.

Positive economic growth outlook. Public finance consolidation. Highly important to face financial contingencies of the CSS pension system.

Complete Action Plan with FATF's ICRG.

Priority to assess regulatory effectiveness, especially in Basel III, as well as to review prudential regulations on risk management, corporate governance, and compliance.

Optimize the use of financial intelligence tools and data analysis to supervise risks, both in prudential and AML/FT/WMD matters.

Financial modernization is the key point on the agenda. We will promote a new regulatory framework for the payment system and means and a new institutional organization chart. Improve competitiveness of the financial sector.



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