



Superintendencia
de Bancos de Panamá

Evolution of the Banking System and its Role in Economic Recovery

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Superintendent of Banks

Outline

- 1 ● Macroeconomic risks
- 2 ● Evolution of productive assets in 2021
- 3 ● Income statement and profitability
- 4 ● Savings performance
- 5 ● Financial soundness indicators
- 6 ● Loan portfolio performance
- 7 ● Portfolio health and credit risk indicators
- 8 ● Impact of the pandemic and resilience exercises
- 9 ● Institutional achievements
- 10 ● Final remarks

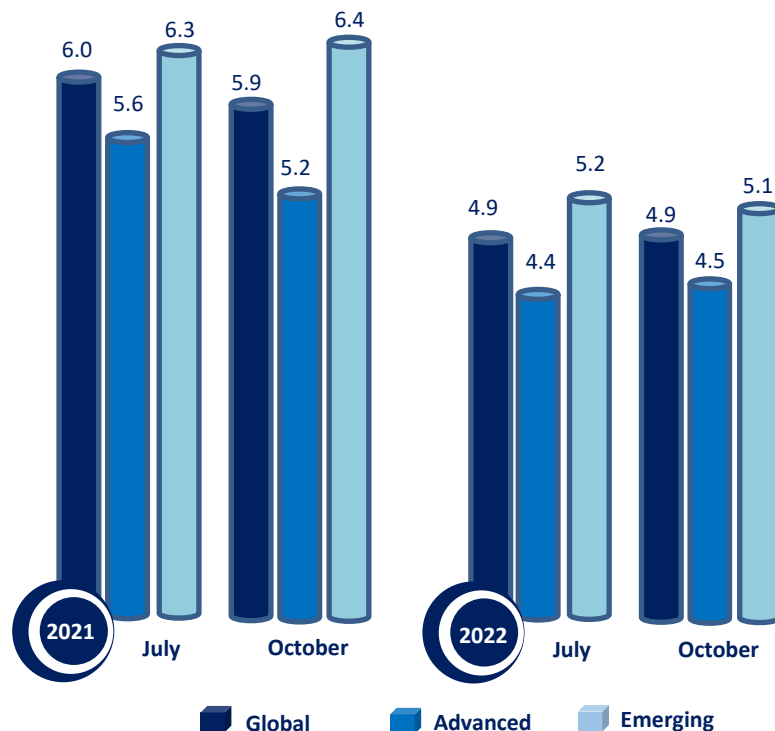
Global growth forecasts revised on a slight downward trend

GDP growth forecasts

Period	WEO October 2021			Comparison to July 2021	
	2020	2021	2022	2021	2022
Global	-3.1	-5.9	4.9	0.1	0.0
Advanced	-4.5	5.2	4.5	0.4	0.1
United States	-3.4	6.0	5.2	1.0	0.3
Euro Zone	-6.3	5.0	4.3	0.4	0.0
Japan	-4.6	2.4	3.2	0.4	0.2
United Kingdom	-9.8	6.8	5.0	0.2	0.2
Emerging	-2.1	6.4	5.1	0.1	0.1
Excl. China	-4.1	5.6	4.9	0.2	0.0
Mexico	-8.3	6.2	4.0	0.1	0.2
China	2.3	8.0	5.6	0.1	0.1
India	-7.3	9.5	8.5	0.0	0.0
Brazil	-4.1	5.2	1.5	0.1	0.4

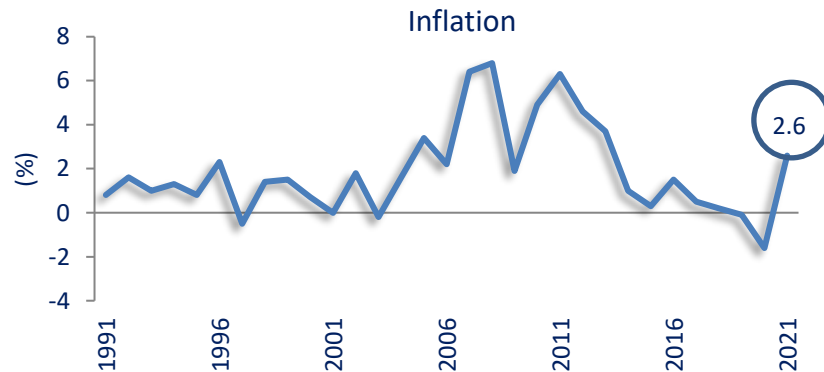
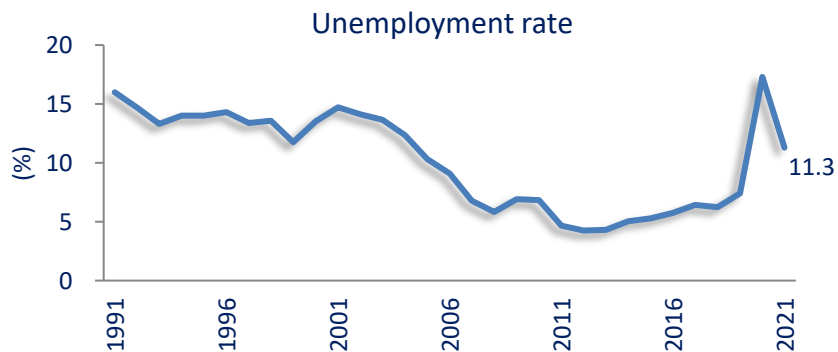
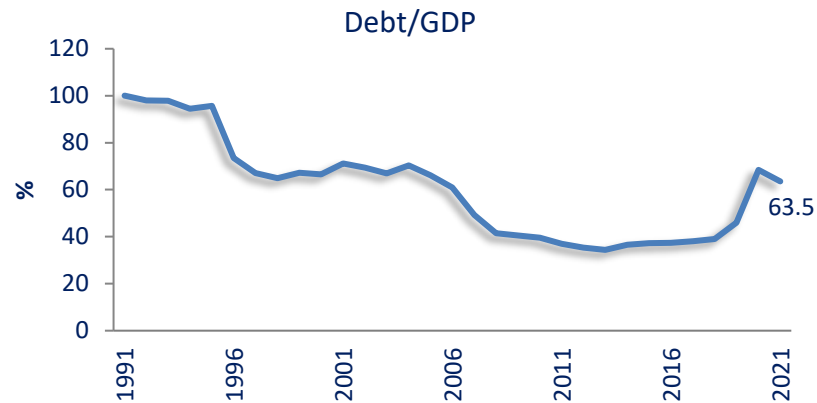
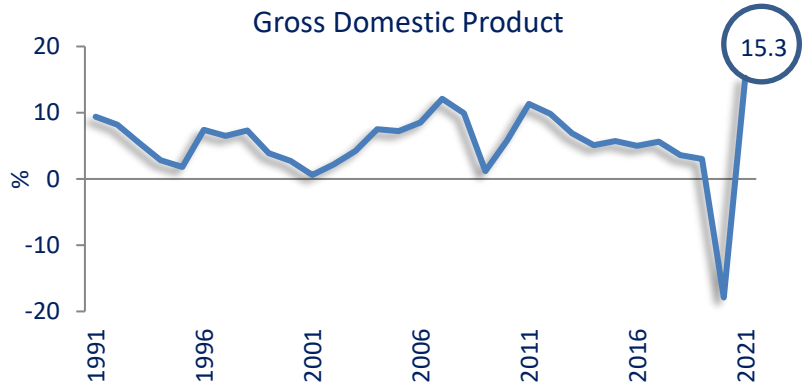
Source: IMF

GDP growth forecasts Annual % Difference



Source: IMF

Domestic economic context 1991-2021



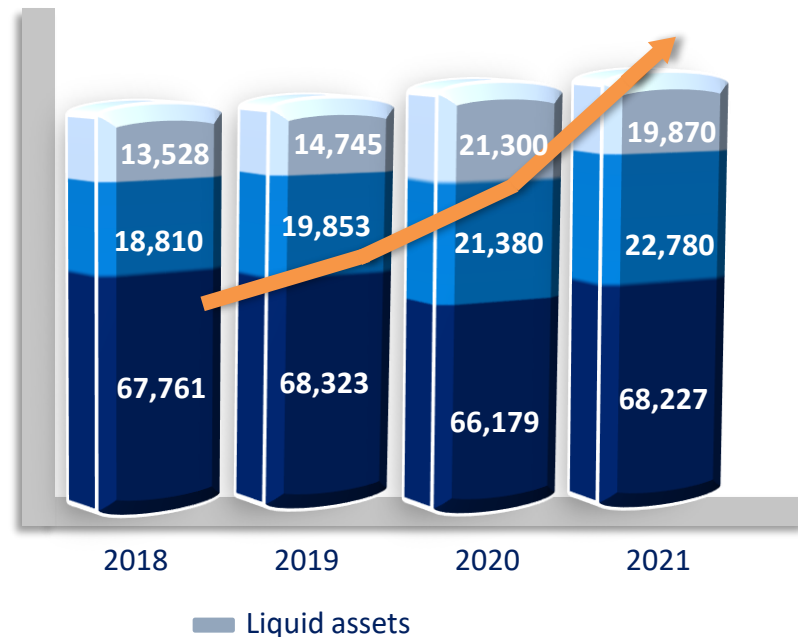
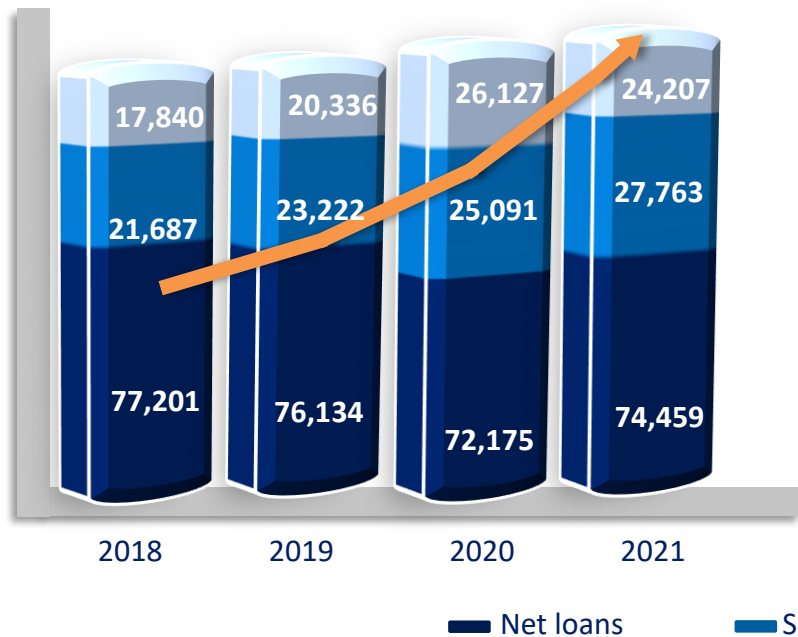
Evolution of productive assets at the end of 2021 (in millions of USD)

International Banking Center

Total assets	Productive assets
133,351	94.8%

National Banking System

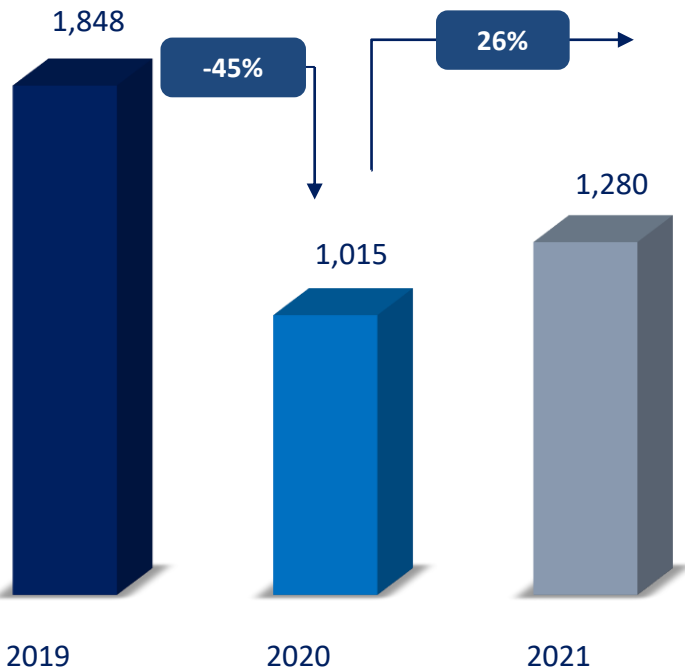
Total assets	Productive assets
117,519	94.3%



Income Statement at the end of 2021 (in millions of USD)

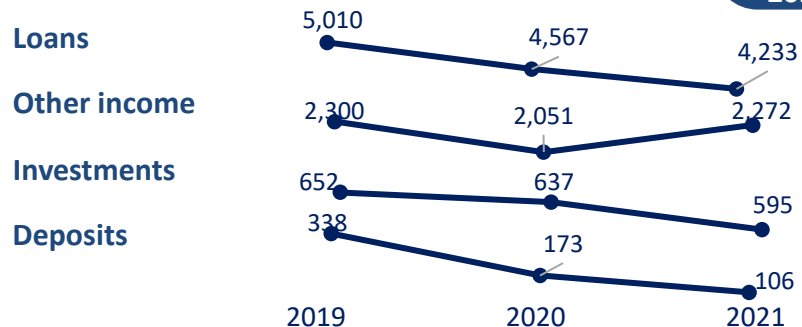
Profit for the period

In millions of USD



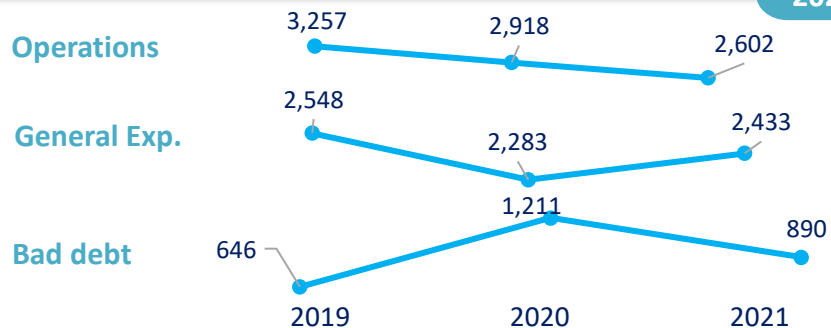
Income

-3%
2021/2020



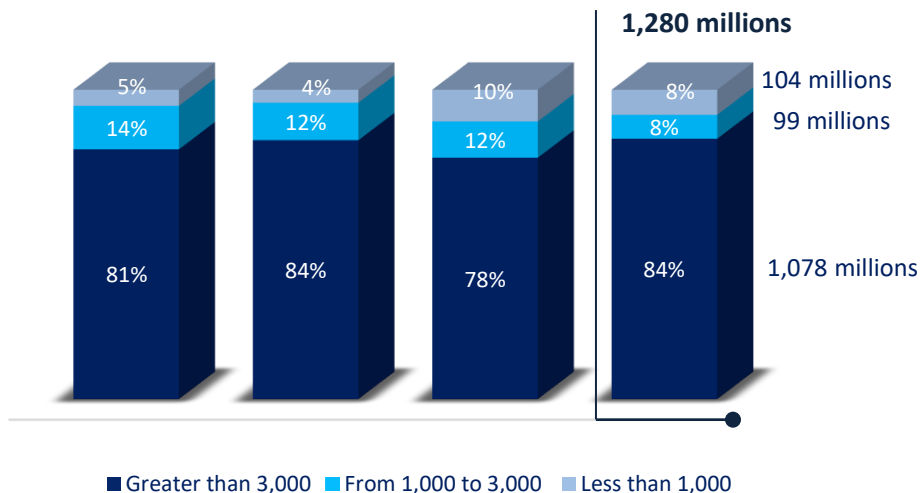
Expenses

-8%
2021/20

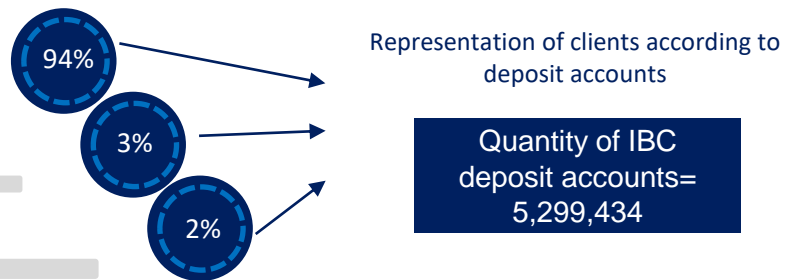
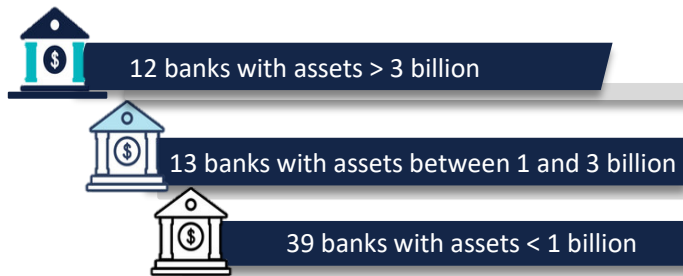
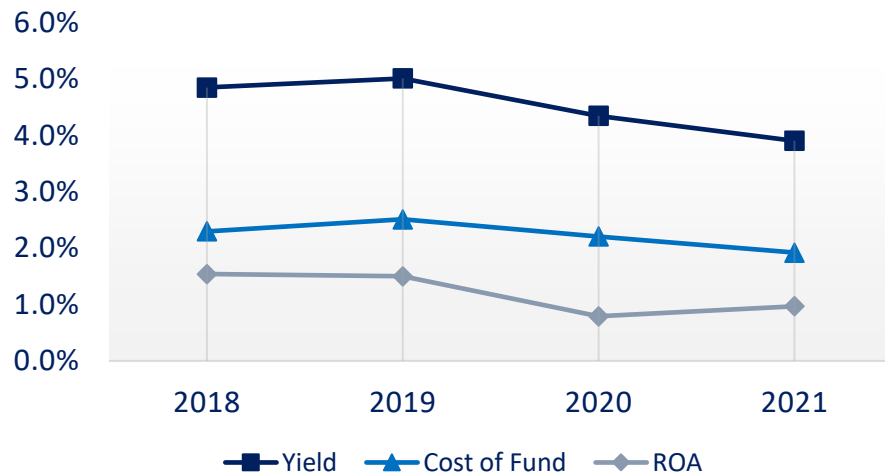


Profitability indicators (in millions of USD)

Concentration level of IBC profits
December 2021 (in percentage)



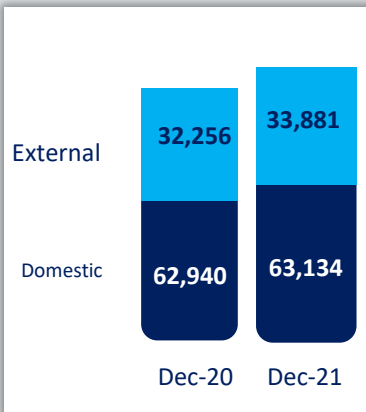
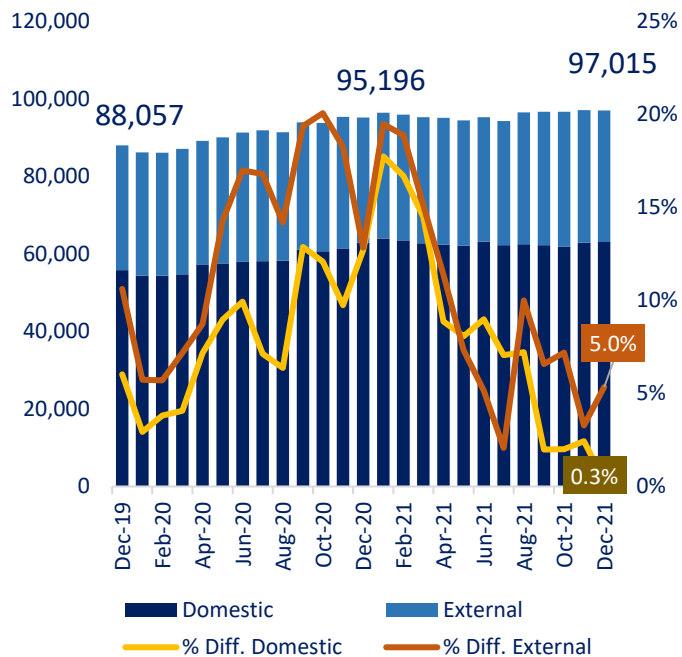
Return on productive assets and Cost of funds
December 2021 (in percentage)



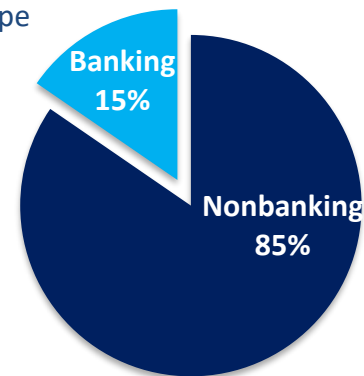
International Banking Center: Deposit Performance

(in millions of USD)

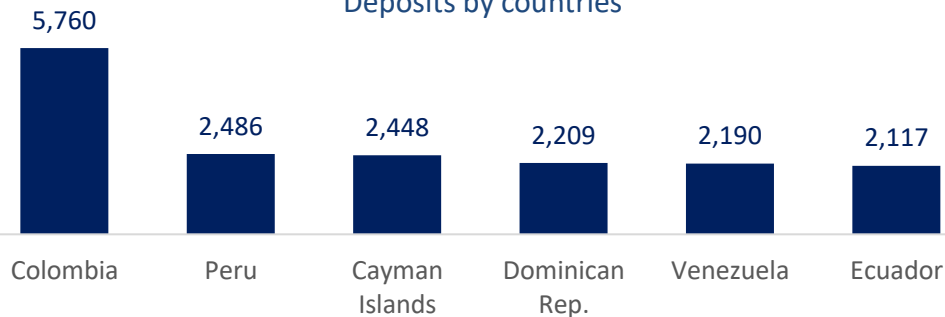
Performance of balances Last 24 months



Deposit type

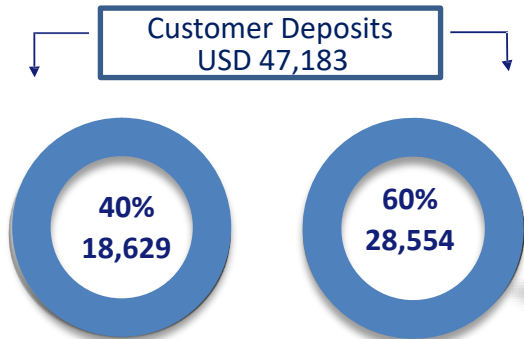


Deposits by countries



National Banking System: Domestic Deposits – December 2021

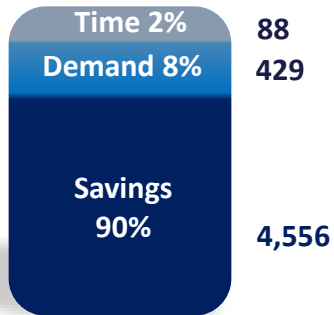
(in millions of USD)



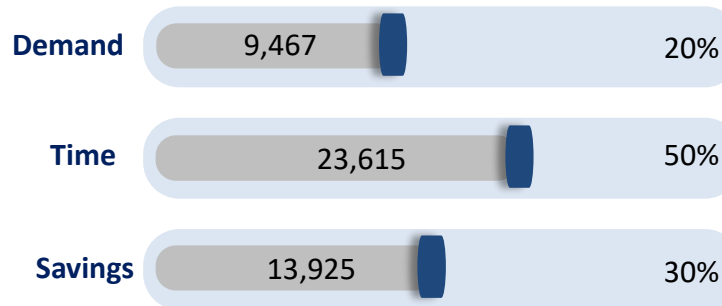
Natural person Legal person

Deposit composition

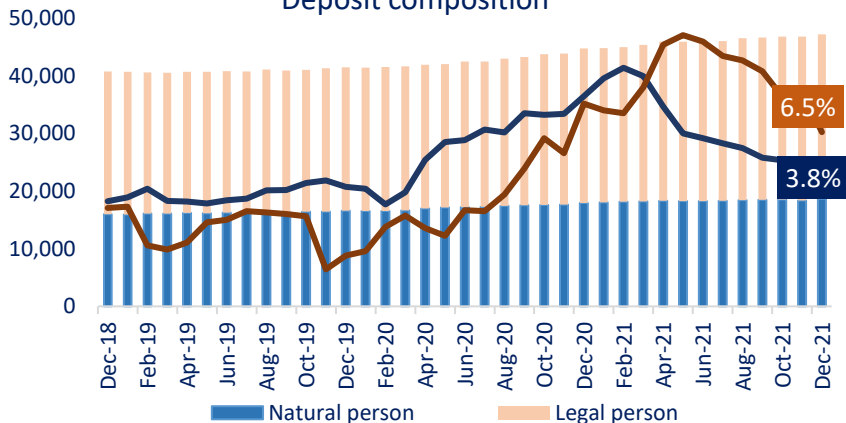
Quantity of Deposits



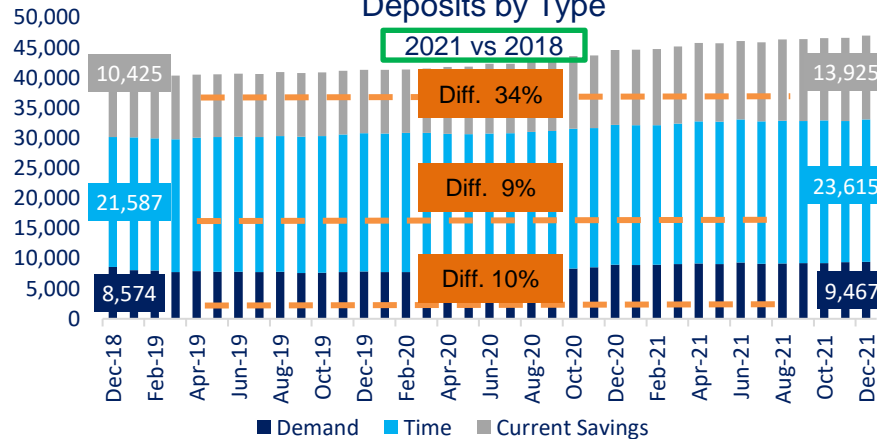
Customers



Other: USD 176 million

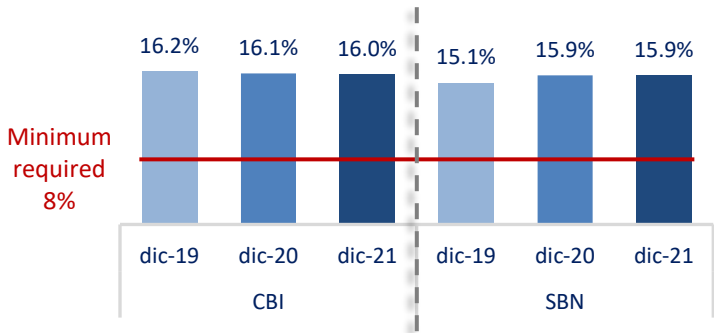


Deposits by Type

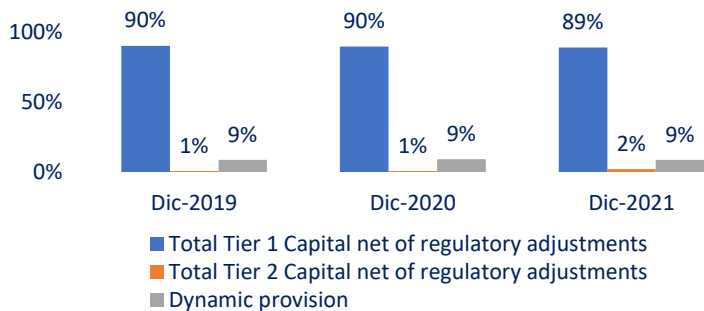


Financial Soundness Indicators (in percentage)

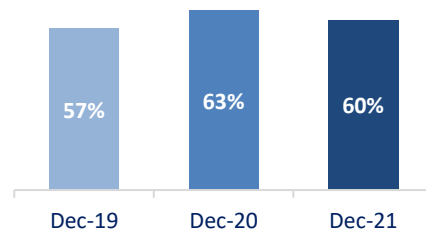
Capital Adequacy Ratio



Percentage composition of regulatory capital IBC

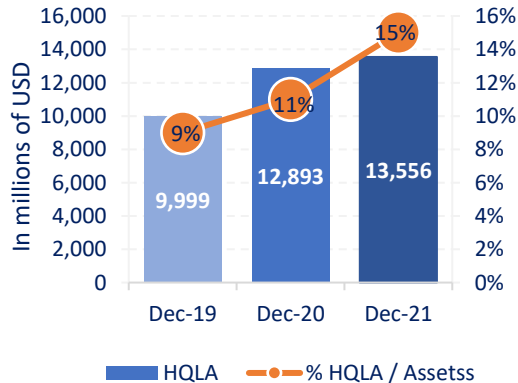


NBS Legal Liquidity

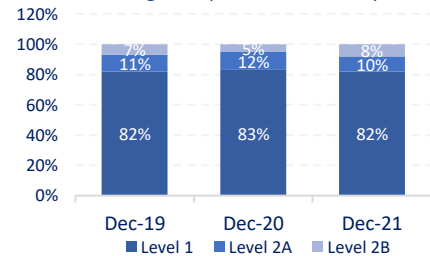


LCR: High-Quality Liquid Assets (HQLA)

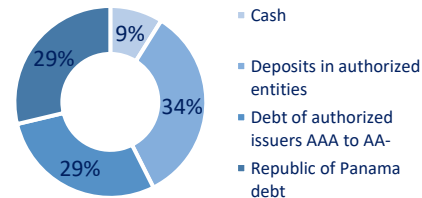
HQLA and its percentage relation with total assets



Percentage composition of HQLA by level

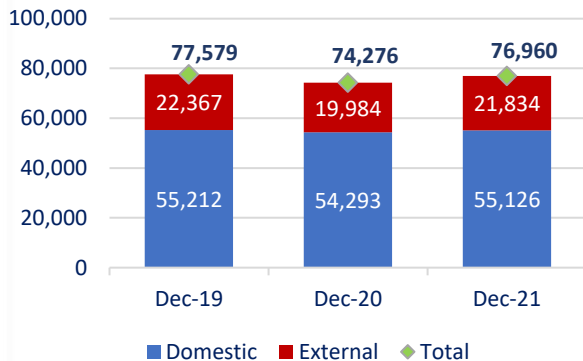


Percentage composition of Tier 1 HQLA as of December 2021

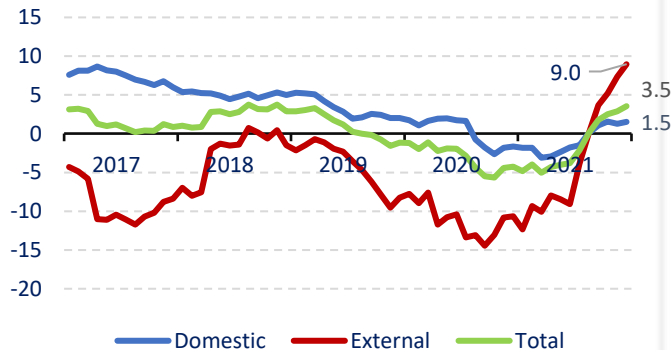


International Banking Center: Performance of the Credit Portfolio

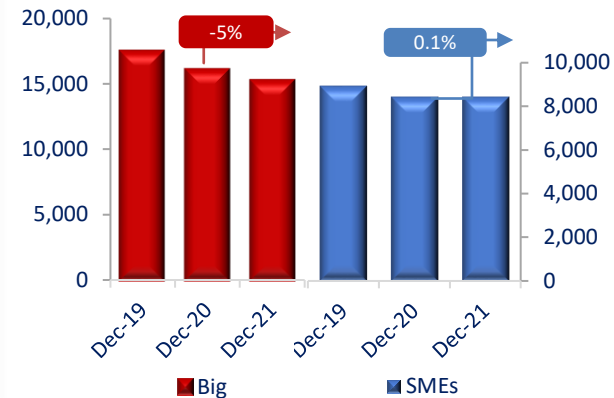
Balance of Gross Credit In millions of USD



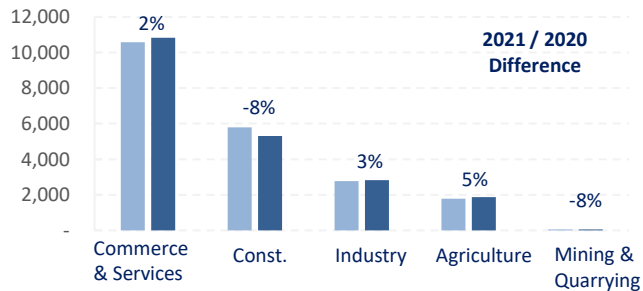
Credit Growth by Region In %



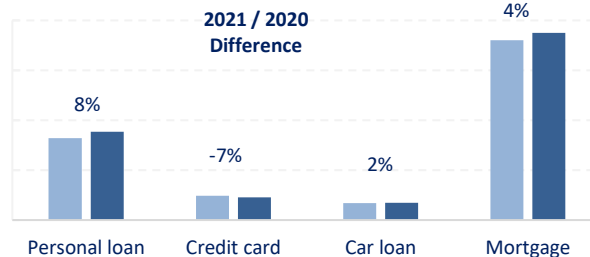
Domestic Credit by Company Size In millions of USD



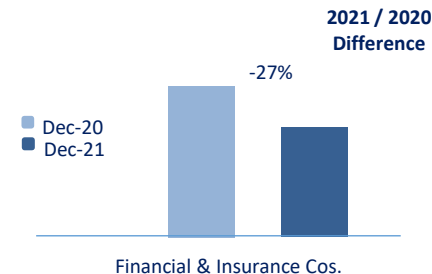
Corporate



Consumer

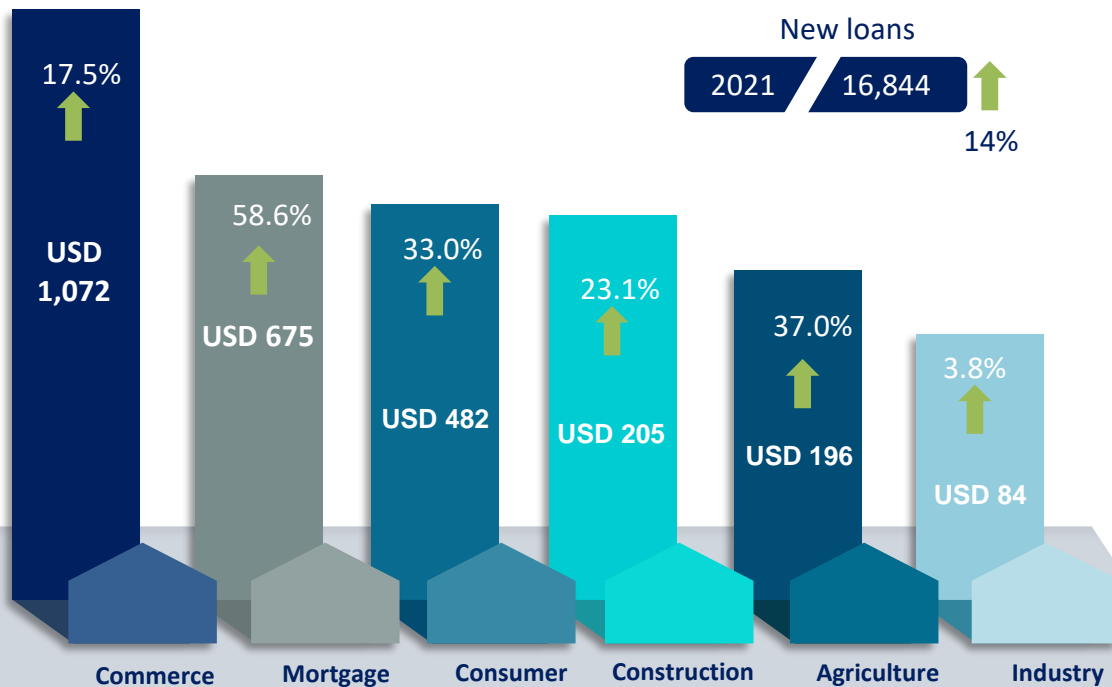


Financial & Insurance Cos.

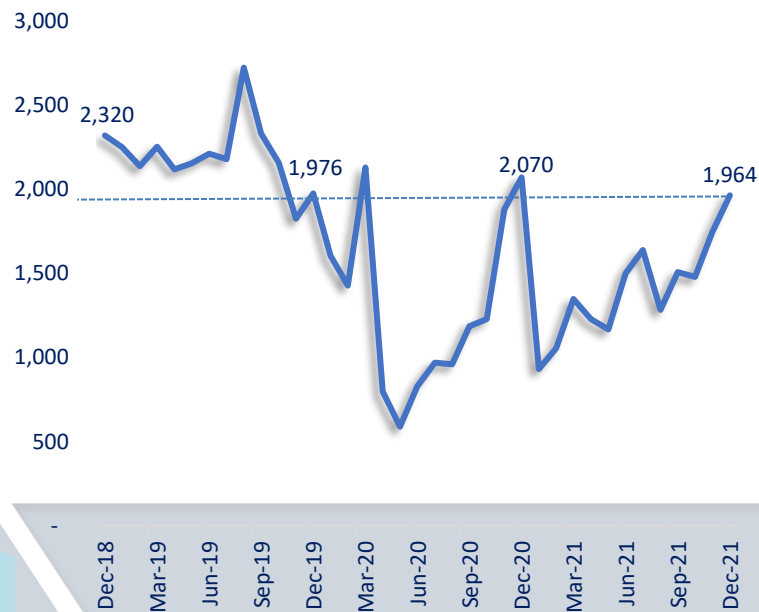


National Banking System: Balance of New Domestic Loans (in millions of USD)

Difference of new loans at the end of
December 2021

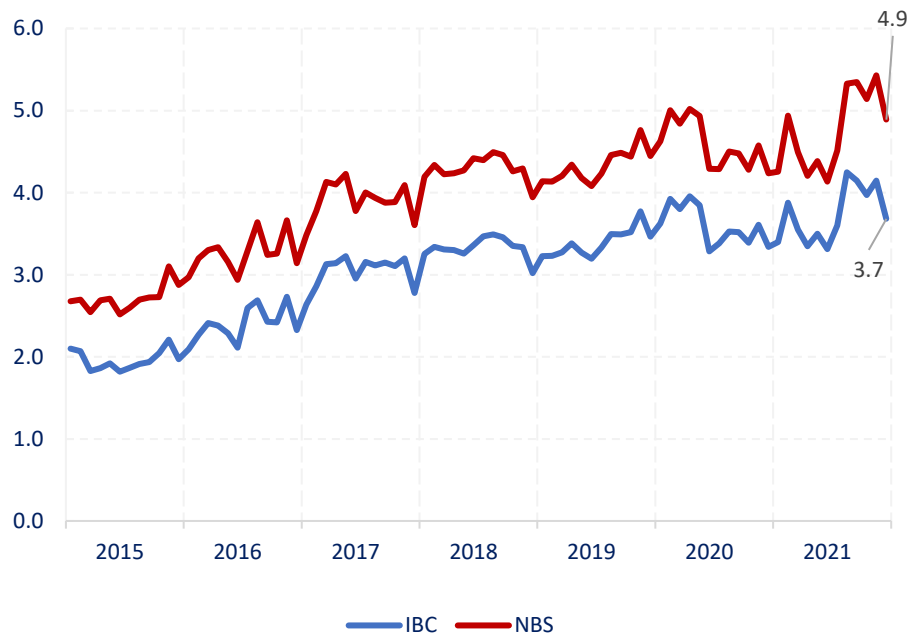


Evolution of new loans
2018-2021 (in percentage)

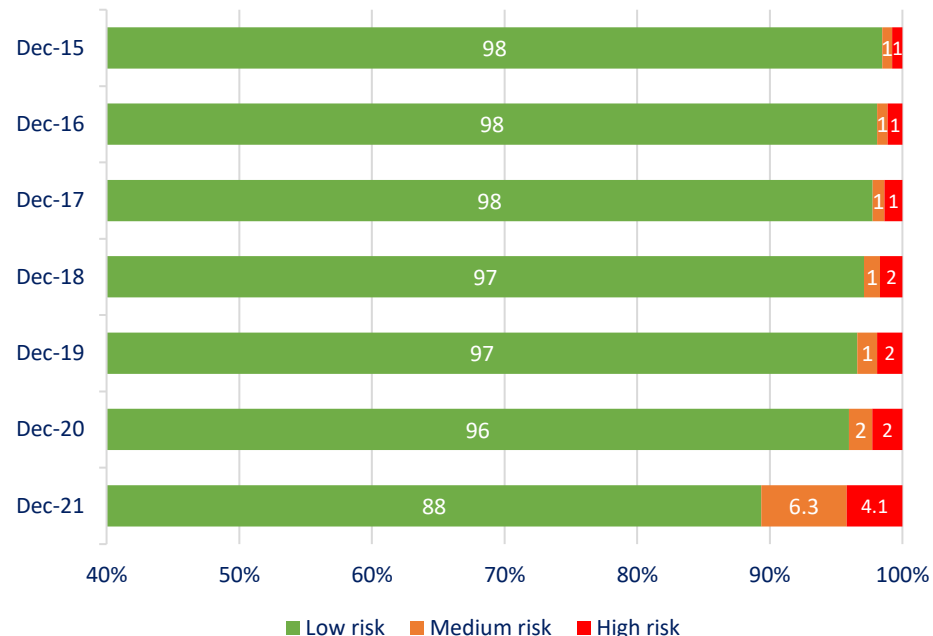


Portfolio Health and Credit Risk Indicators (in percentage)

Delinquency Ratio



Credit Risk Level

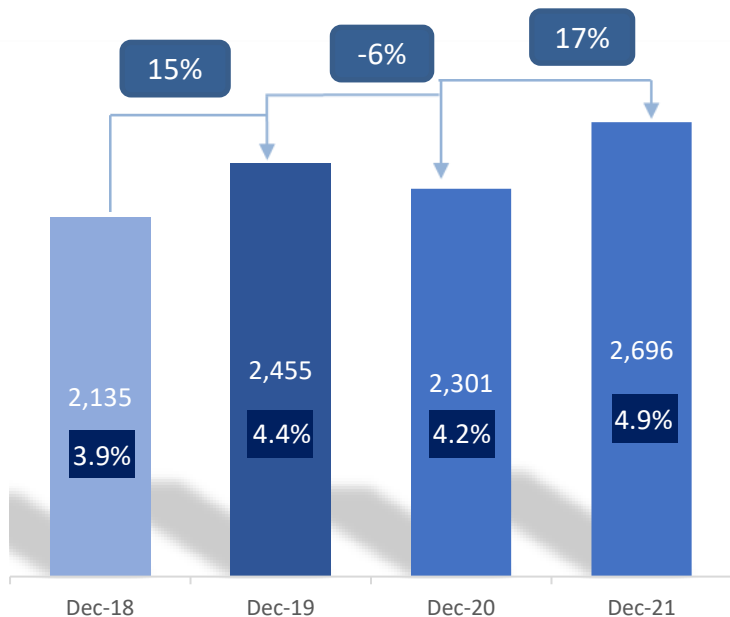


Low Risk: Pass and Special Mention
 Medium Risk: Substandard
 High Risk: Doubtful and Loss

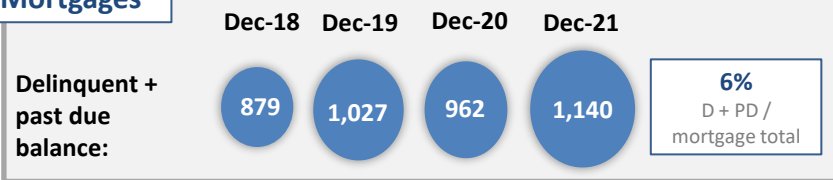
Credit Quality - NBS

In millions of USD

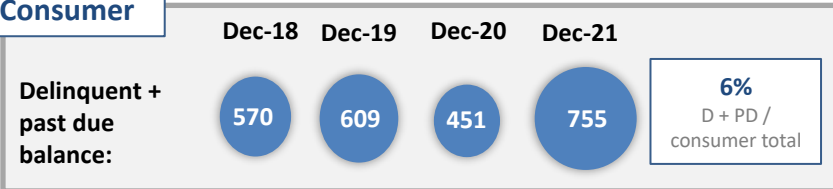
Balance of new delinquent and past due domestic loans



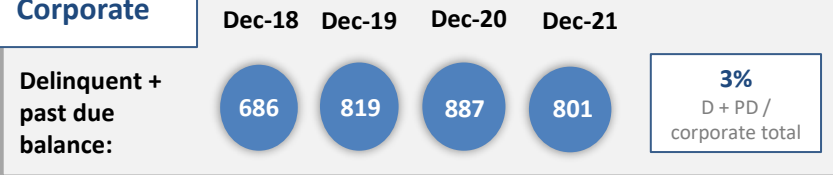
Mortgages



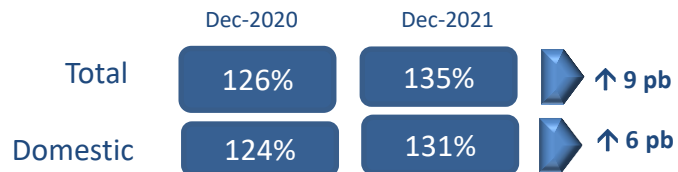
Consumer



Corporate



Coverage Ratio of Past Due Loans in %

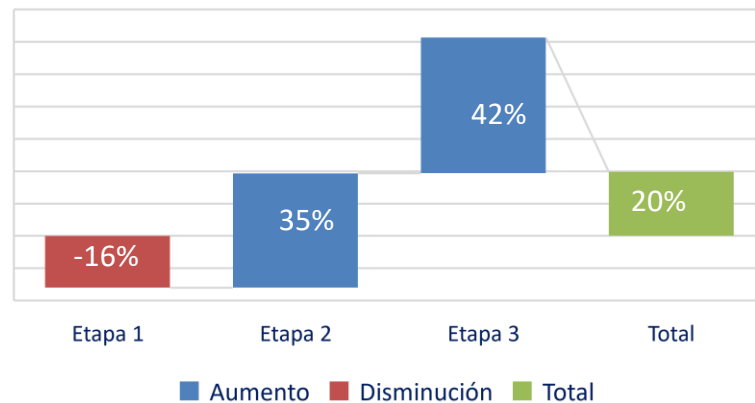
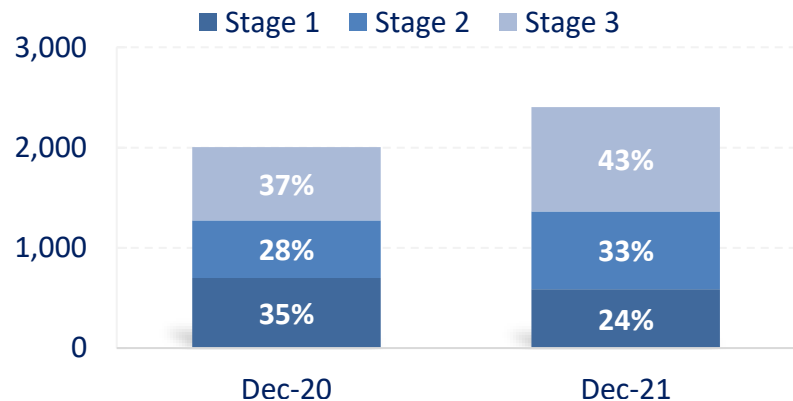


Comparative IFRS Provision at the end of 2021

In millions of USD

	Dec-20	Dec-21
Stage 1	701	589
Stage 2	572	775
Stage 3	733	1,041
Total provisions	2,006	2,405

20%



National Banking System: Modified Loans at the end of 2021

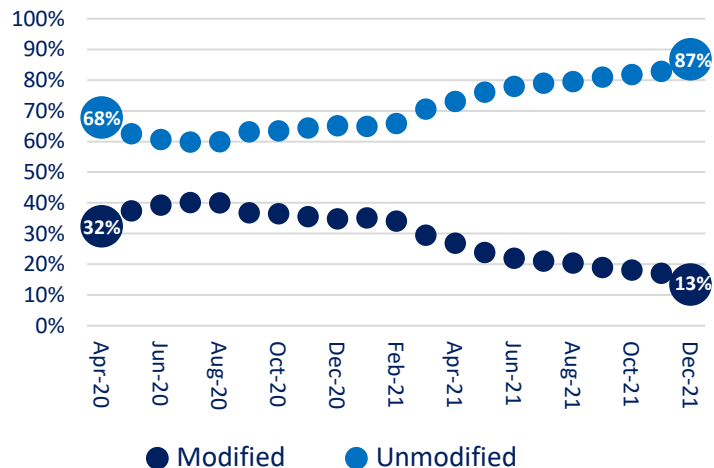
Modified [Loans] Year-on-Year Diff. 59% (2020 – 2021)

(in millions of USD)

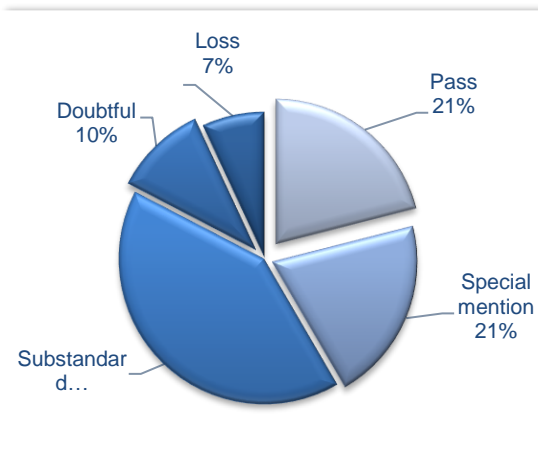
USD 22,933

USD 9,252

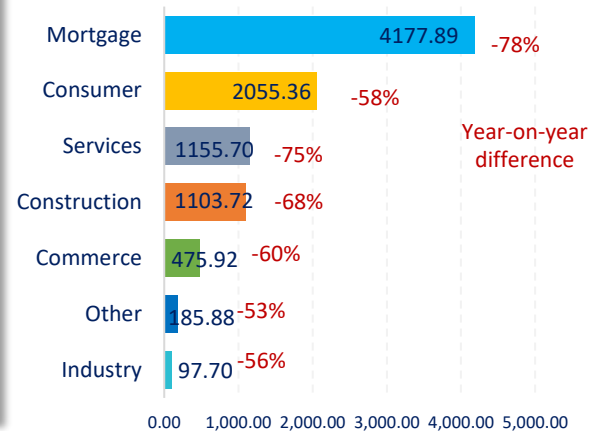
Evolution of Loans with financial relief measures



Classification of Modified Loans



Modified loans by activity In millions of USD



Impact on modified [loan] portfolio and Banks' resilience levels

Balance of Modified Loans (millions):
USD 9,252

Pass:	USD 1,945.6
Special mention:	USD 1,902.9
Substandard:	USD 3,795.7
Doubtful:	USD 964.6
Loss:	USD 643.1

USD 726.3 million
Modified provision

Current provision Dec-21

USD 275 million
(37.6%)

Increase in provisions

15.9%

14.5%

8%

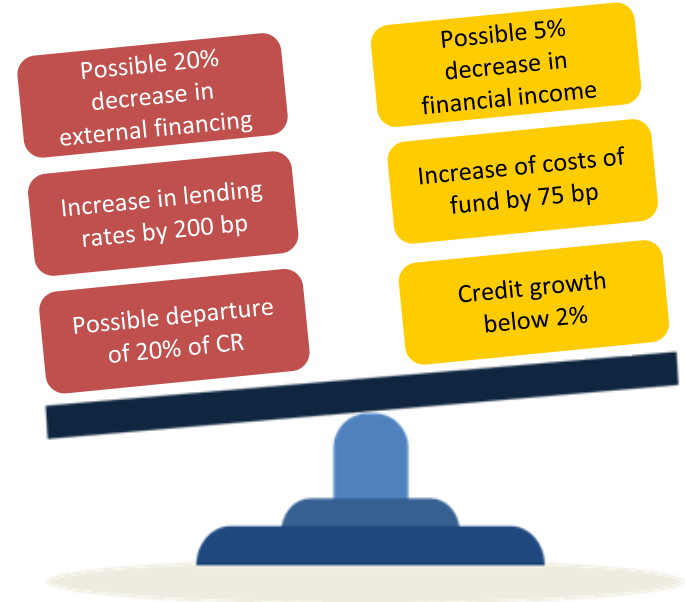
6.5% Slack

Risk Matrix and its potential impact



Higher risk

Lower risk



Institutional achievements



Inspections conducted



Advances in AML



LIBOR Completion



Access to banking & financial education



Financial sector modernization



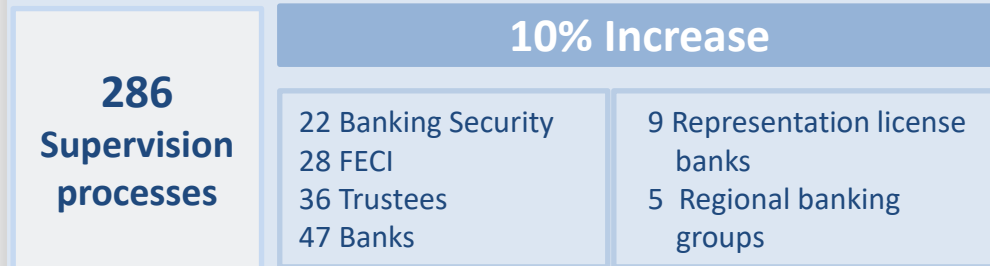
Advances in climate risk supervision

Prudential Risk-Based Supervision 2012-2021

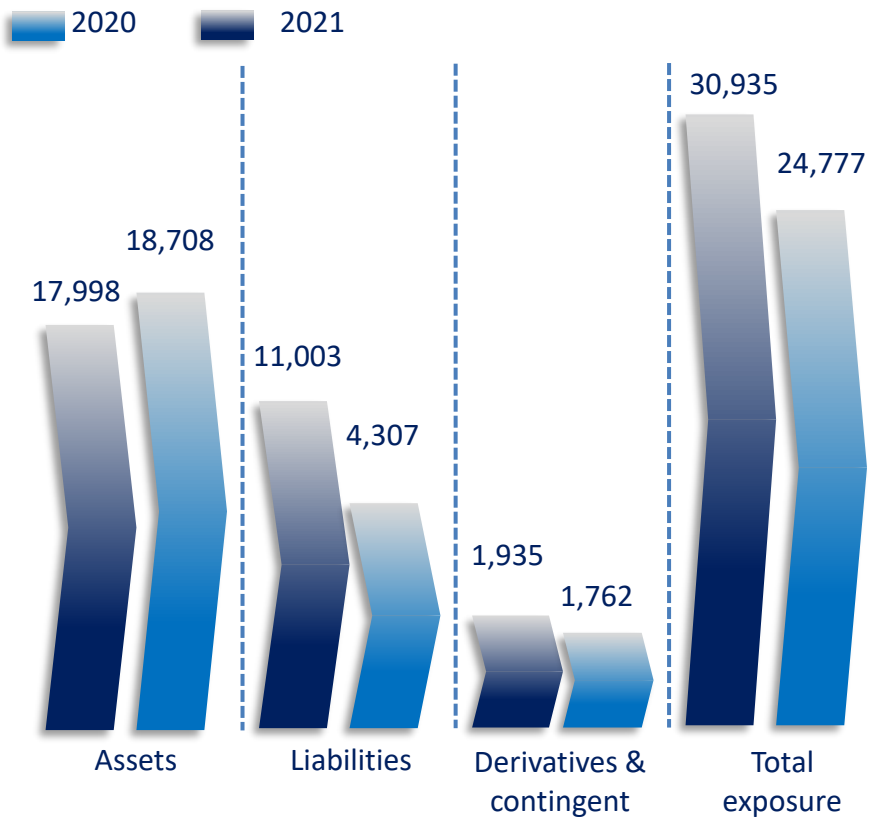
Inspections conducted by type of prudential supervision process during 2021



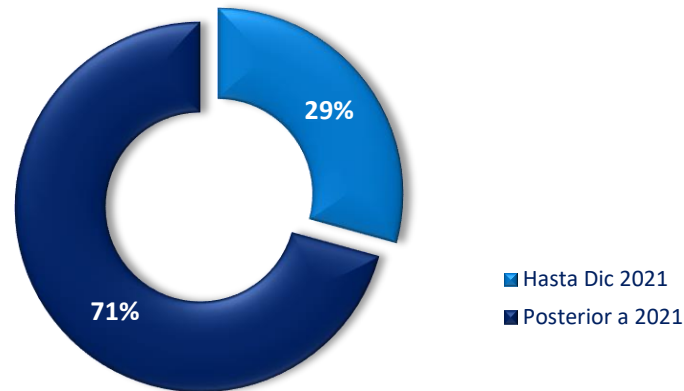
Prudential supervision processes for 2022



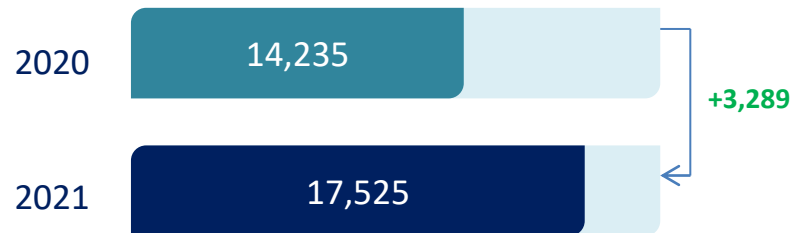
Advances in LIBOR transition within the IBC (in millions of USD)



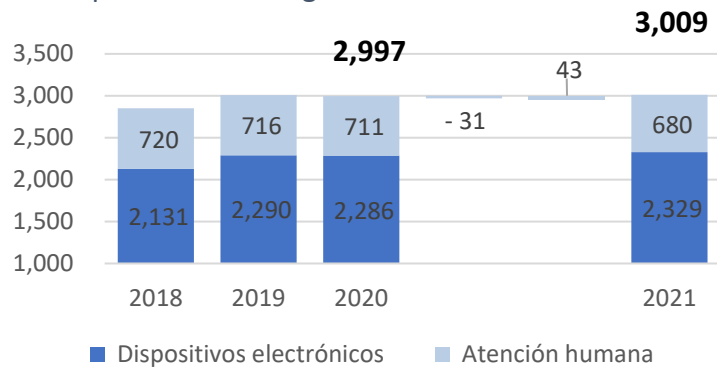
Maturity of 2021 Exposure



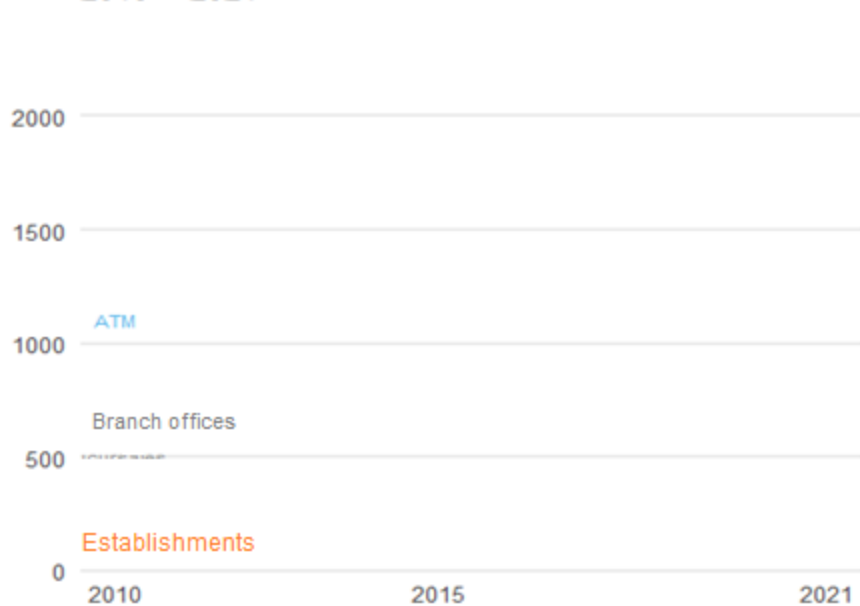
Difference in exposure after 2021



Access points to banking services



Banking Infraestructure 2010 - 2021



Branch offices 2010 - 2021

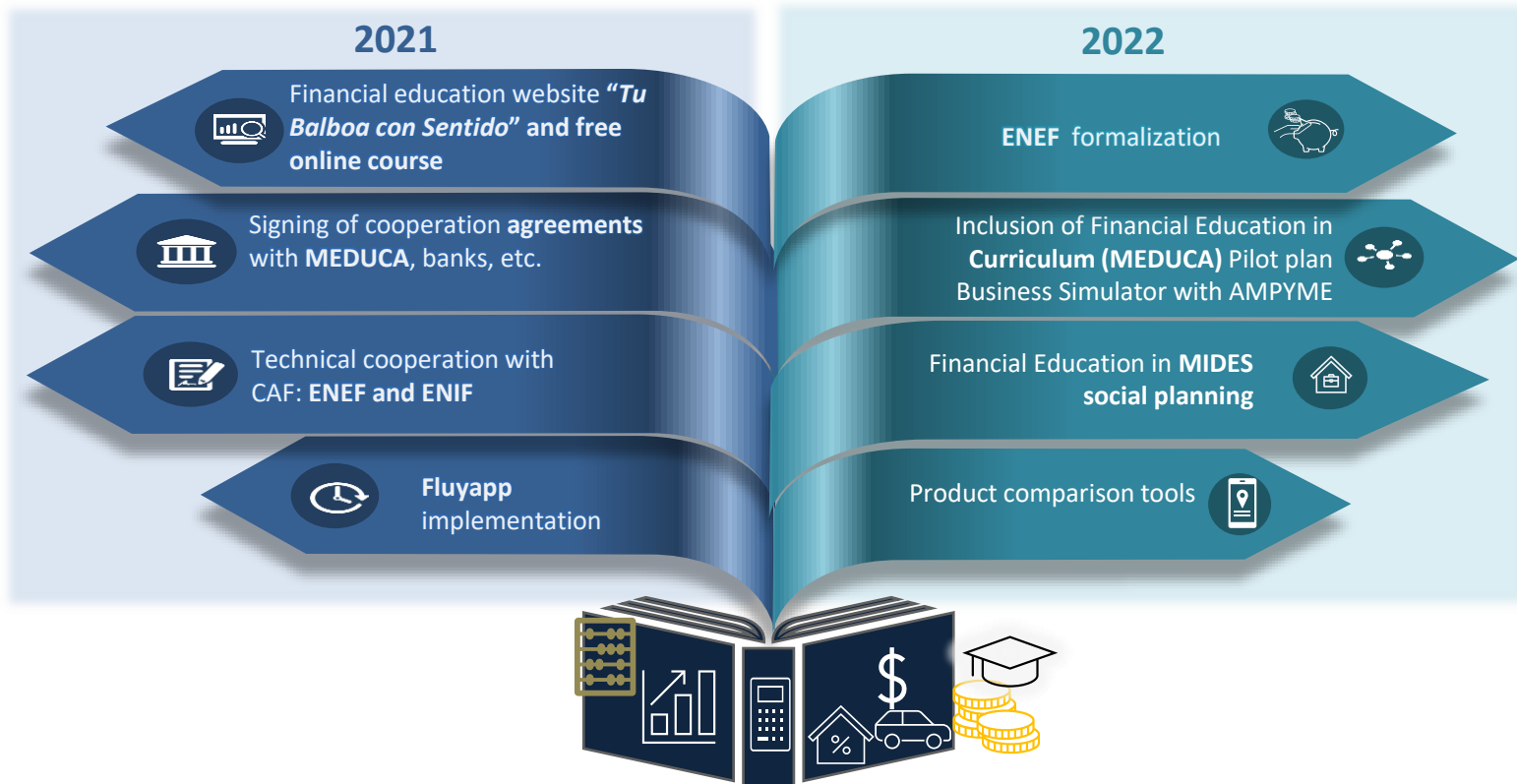


ATMs 2010 - 2021



General license banks

Relevant aspects of Financial Education

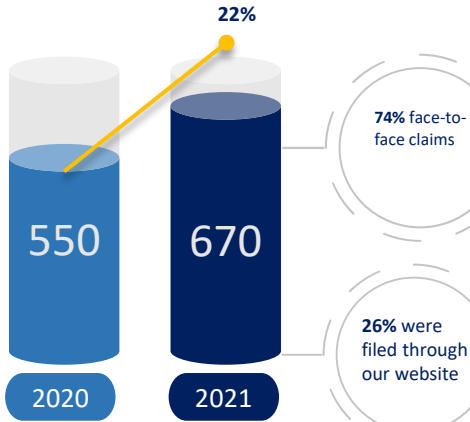




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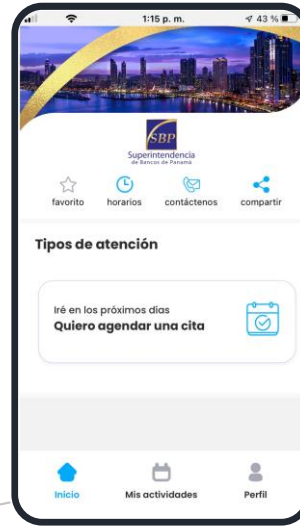
Claims Management 2021 - SAC

Administrative claims filed by banking consumers



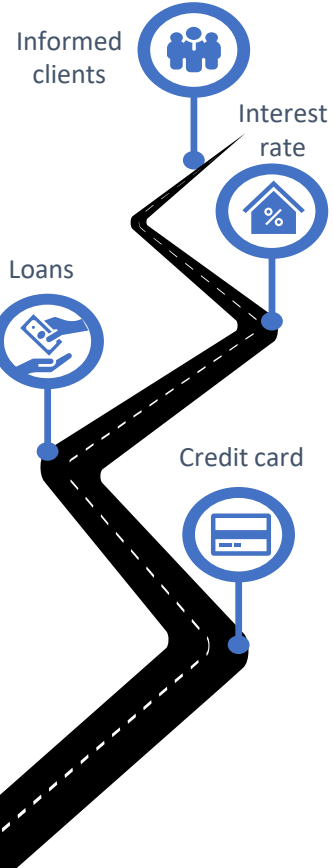
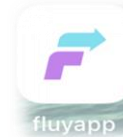
Customer Service

Face-to-face attention to inquiries and claim filing

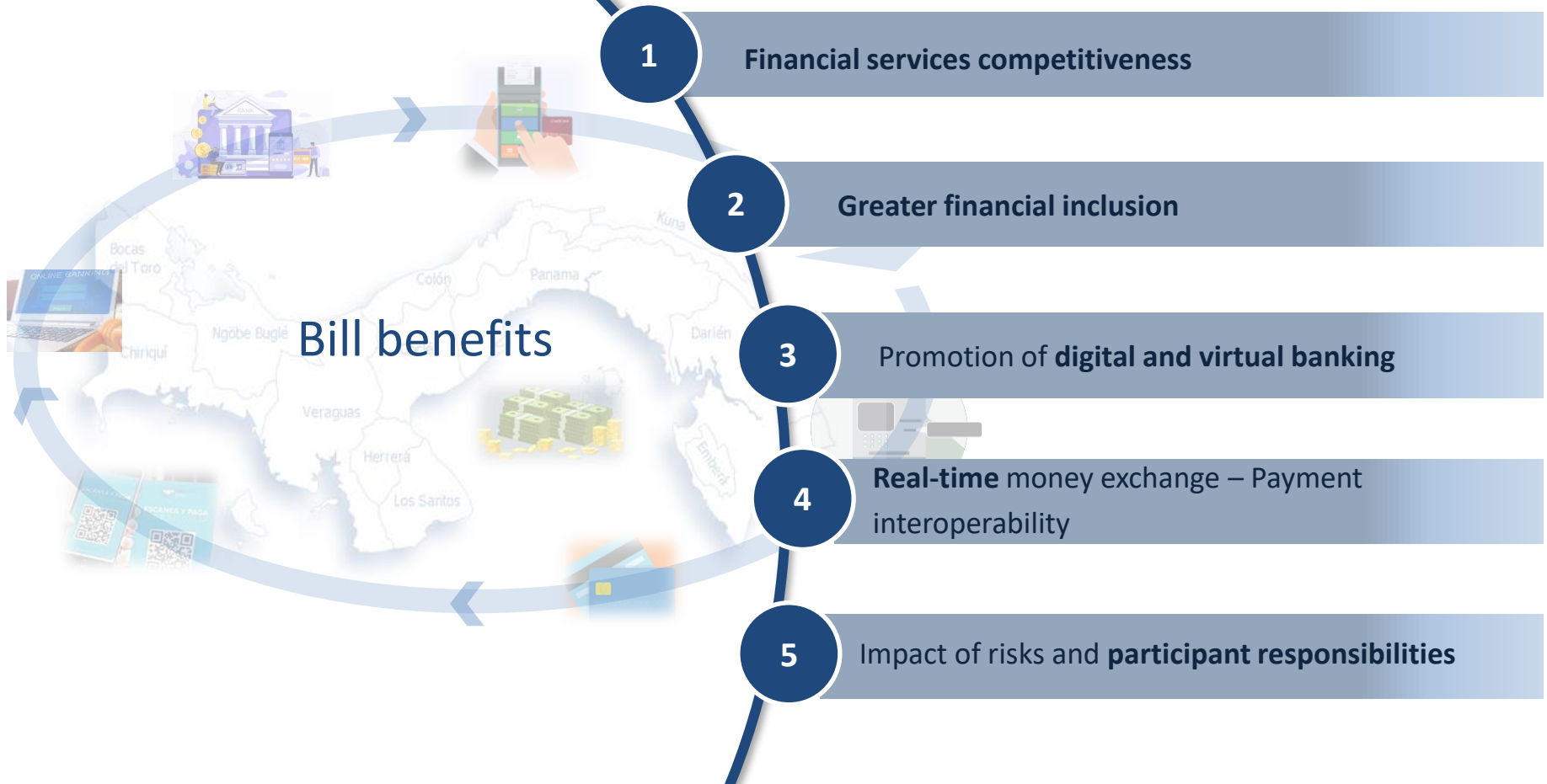


Appointment Scheduling System

Easily downloadable and usable from any mobile device



Financial sector modernization – National Payment System

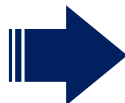


Achievements

National Payment
System Authority



National Payment
System Sole
Operator



Challenges

New
players

Participation
of **new
nonbanking
players** in
the
Panamanian
Financial
System

Rule setting

Balance in
rule setting
for the
different
participants of
the payment
ecosystem

Technological
and Human
Resources

Investments in
**technological
and human
resources** for
proper
implementation

Submit bill



National Assembly

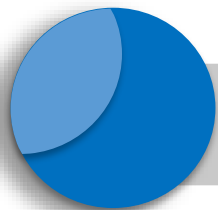


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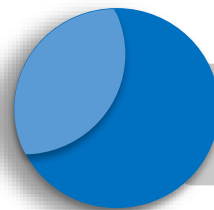
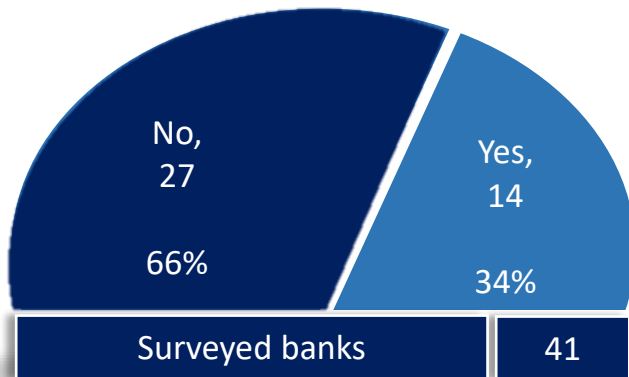
Climate Risk



Progress of Climate Risk Management in the Panamanian Banking System



Does the bank have policies or strategies in place for climate risk management?



Within which policies does the Board of Directors review and approve strategies for climate risk management?





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Final Remarks

Financial sector

1

Preliminary estimates suggest that in 2021 the Panamanian economy would have grown 15.5% and forecasts for 2022 would be close to 7%, which would mark the beginning of a **post-pandemic recovery process**, and in which the IBC has been a key player in promoting conditions to support economic reactivation. However, we are aware that **2022 will be a year of economic challenges**, which is why we view this process with cautious optimism.

2

Brokerage activity once again played a leading role, although always maintaining **adequate levels of macro prudential indicators** (nearly double the legally required) that guaranteed financial stability and that could also withstand the effects triggered by macro financial risks.

3

The level of savings shown in the IBC was positive, however, a foreseeable decrease was perceived, which could be related to the reopening of activities affected by the pandemic, the reduction of precautionary savings, and the resuming of payment of obligations under financial relief programs. It is also expected that the level of deposits can grow again, when the economic projections for 2022 are fulfilled.

4

The new loans granted in 2021 showed a considerable increase (14%), which indicates that **economic recovery has already begun to have a positive impact on most sectors**, although it has not yet reached 2019 levels.

5

The performance regarding the **health of the portfolio has remained as expected**. The indicator that measures the level of delinquency shows that the portfolio in arrears at the end of the year stood at 4.9%, after regulatory changes that allowed bank relief, and that it is gradually returning to normal, with the household portfolio being the one with the greatest impact.



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Financial sector

6

Loan portfolio provisions grew by 20%, as a result of credit risk growth. This increase in provisions reflects a greater probability of default and **banking prudential response to mitigating said credit risk**, although this coverage level may change over time if there is a deterioration in portfolio quality.

7

At the end of December [2021], the modified [loan] portfolio presented a significant reduction of 59%, which indicates that many debtors have gradually been able to restructure their loans and comply with their new terms, notwithstanding the foregoing, there is still a considerable number that will be vital for them to be regularized. It will be of vital importance that this modified portfolio be able to return organically to the regular portfolio covered by Rule 4-2013, both loans that were able to be restructured and those that did not have the financial capacity to do so and would have to be classified within the corresponding risk category.

8

The SBP is constantly monitoring the modified portfolio and the provisions established by banks. The stress tests that have been carried out show slack margins above the regulatory minimums, which are the product of the entities' financial strength.



Institutional achievements

9

We keep evolving and transforming our AML risk assessment tools and systems, with the automated generation of a matrix based on criticality, obligation, compliance, and risk score, according to thresholds established by analysts, which allows viewing the responses issued by entities and apply the expert criterion.

10

Our digital information and documentation transfer system continues to grow, now with the integration of new tools, such as TIDSO, it will allow the technical areas of the Superintendency to share information with each other.

11

With the purpose of optimizing processes to achieve efficiency and quality of services to regulated entities and users, **we remain developing and continuously improving the claim management systems**, changing the workflows to reduce steps, and reporting and statistical modeling for monitoring queries and claims management.

12

This year, the institution has achieved significant growth in using data analytics tools, which has required the implementation and updating of new data warehouses and information models in Cognos and SQL. This has led us to initiate actions and establish a roadmap towards the cloud for data analysis, when our capabilities are not enough, e.g., Prescriptive Analytics or Artificial Intelligence; and in the same line, **the institution already has analytical data models that can be posted on our website for the general public.**



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Final Remarks

Institutional achievements

13

Once the 2022 began, **the Superintendency of Banks of Panama, in strategic alliance with the United Nations Program (UNPD), institutionalized the use and operation of the Document Transparency System (TRANSDOC)**, which will help strengthen management capacities, will promote the access and use of tools to adopt the efficiency and productivity of internal processes, digital procedures, and web services for our users.

14

As a result of the transformation to new working methods, **we have reviewed and updated the Institutional Competences Manual adapting them to the current reality**, taking our culture, our values, and objectives as a fundamental basis; introducing a very powerful instrument for the fulfillment of the Strategic Plan and helping our employees to understand their behaviors, skills, and attitudes.

15

We highlight the recent **publication of Rule 1-2022 that establishes special guidelines for the protection of personal data** processed by banks, **becoming an important step for our country and the banking sector**, having great relevance for the Superintendency because it **represents the integration of Panamanian legal frameworks with international standards on this matter**, strengthening the customer-bank relationship, providing security to users by having greater freedom regarding the use of their information, and also adopting, with our regulated entities, the principles of confidentiality, lawfulness, data security, and portability.



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Thank you

