Banking Activity Report

September 2022

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Executive Summary

At the end of September 2022, the performance of the Banking Center continues to show a system with stable financial fundamentals. Conservative management has made it possible to maintain the credit supply, to ensure an orderly adjustment in terms of credit risk, and to maintain financial services provision continuity. The performance of the International Banking Center (IBC) and the effects of the measures adopted by authorities allow us to confirm that, at the end of the ninth month of the year, the capital capacity and proper risk management remained favorable, which translated into appropriate solvency and liquidity levels at 15.1% and 55.5%, respectively.

The assets of the International Banking Center totaled USD 136.75 billion, a USD 5.56 billion increase versus September 2021 or a year-on-year rise of 4.2%, which was the result of increases in the net loan portfolio (14.2%) and the securities account (6.8%). As we have mentioned in previous reports, on the liquid assets side, although they fell short (-26.5%), this is a counterpart reflection of loan increases.

Regarding the net loan portfolio as of September 2022, the IBC showed an increase of 14.2% to reach USD 82.87 billion. In this way, the IBC loan portfolio continues to evolve favorably. On the performance of the external loan portfolio, it increased by 35.4%.

As of the end of IIIQ2022, the domestic portfolio of the National Banking System (NBS) recorded growth in the gross loan portfolio that reached USD 58.14 billion, with a 12-month performance of 6.2% (USD 3.41 billion), related to the higher qualified demand for credit. With this result, the private banking credit portfolio recorded the highest annual growth since January 2018. As for the flow of new domestic loans granted during the January to September 2022 period, it stood at 57%, higher than that granted in the same period a year earlier, however, it is still under the influence of a base comparison effect. Although the performance of disbursements is positive, it has begun to show signs of moderation in its growth rate.

Most recently, banking assets quality has slightly improved. The delinquency ratio recorded 4.0%, of which 1.6% represents loans with arrears of 30+ days and 2.3% for loans with arrears of over 90+ days. The nonperforming loans account influence the delinquency ratio performance. As of the end of IIIQ2022, the nonperforming loans with arrears of over 90+ days fell to 2.3% due to write-offs and the expansion of the loan portfolio. However, we expect that asset quality will be weaker in the coming months, although it should remain manageable. Similarly, and favorably, provisions for delinquent or nonperforming loans strengthened during the pandemic, increasing banks' ability to absorb future loan impairment losses. With this, provisions for credit losses on overdue loans, including additional reserves for loan impairment, it reached 134.5%.

The modified [loan] portfolio as of September 2022 totaled USD 3.04 billion, which represented a reduction of USD 76% (sic) versus the same period of 2021. The riskier components of this portfolio, i.e., the modified doubtful and modified loss categories amounted to USD 935 million. Due that economic activity returned to normal, the lockdown measures have gradually ceased, which has affected this performance. The downward trend of the modified [loan] portfolio suggests the need to update the regulations on this type of portfolio and to restore Rule 4-2013 on credit risk. Although these regulations are under discussion, we expect to produce a plan to prudently deal with the case of higher risk or loss loans, but acknowledging the provisions and write-offs set by international financial reporting standards.

Cut to September, the profits of IBC banks totaled USD 1.35 billion, a figure that represents a 40.7% increase versus the same period in 2021. The consolidated net results for IBC banks increased as of the end of IIIQ2022 because to improvements in placements, the greater positive contribution of extraordinary results, and the decrease of asset impairment provisions, however, ROA and ROE remained low, although the latter was above 2021 [levels]. With this result, the net profit of the banking system would be at levels closer to the pre-pandemic period.

IBC deposits for September 2022 recorded USD 96.88 billion, USD 169 million more (0.2%). Remarkably, the balance of traditional bank deposits, i.e., demand deposits (savings withdrawn at any moment), and fixed-term deposits are underperforming, which could explain the need to increase household current spending and business requirements.

Bottom line, the Panamanian financial system has continued to show resilience and an overall solid position. However, despite being in a solid position, including capital and liquidity ratios easily exceeding the regulatory minimums, at the face of the materialization of considerable external risks, banks' loan portfolio quality could record impairments. Therefore, it is necessary to keep monitoring the effects of the international and domestic environment on the performance of market liquidity and solvency, keeping close contact with financial authorities, to continue ensuring stability of the financial system in the current juncture.

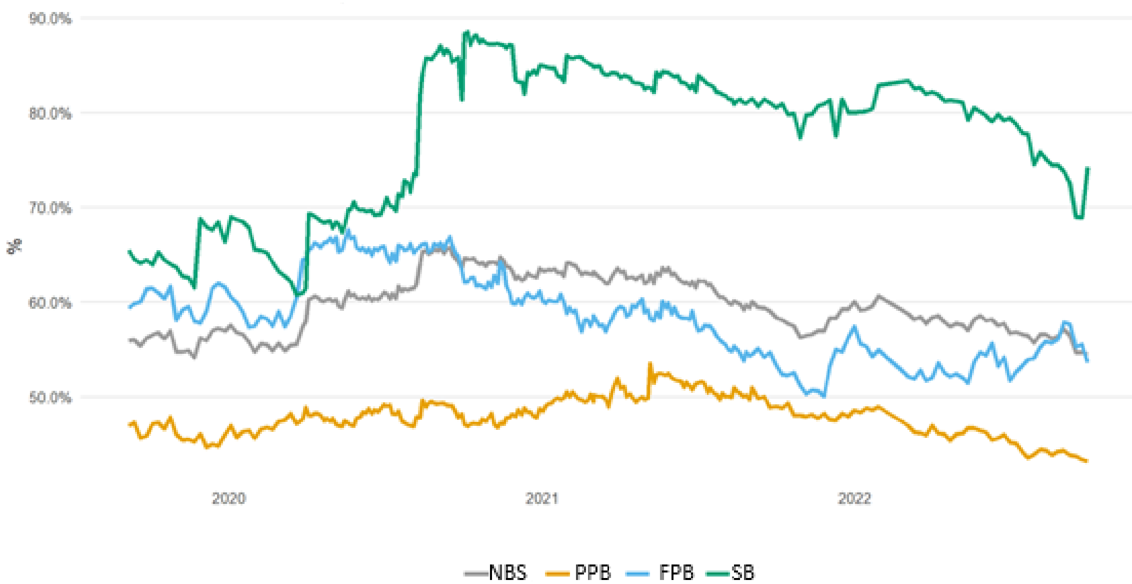
A. Liquidity

As of September 2022, the liquidity of the Banking System reached 55.5%, which exceeds the regulatory minimums on the matter. Currently, local banks are in a well-heeled position with respect to regulatory requirements, which would allow them to face market volatility, because, in large part, to their robust liquidity and reduced dependance on external financing. The banks of the system have historically had robust liquidity buffers and constant access to structural deposits, which are a fundamental part of their funding.

In relation to liquidity to date, although there has been a certain decrease in ratios versus the levels reached in 2021, the financial system maintains adequate liquidity ratios at the aggregate level, with sufficient resources to meet its short-term financing needs and which, in turn, will make it easier to resume credit growth. According to our predictions included in previous reports, it was foreseeable that, to the extent that the economic performance will recover and, therefore, the loan portfolio is invigorated, we expect that liquidity levels would be reduced, but to levels that are still considered good against juncture risks. The decreases recorded reflect greater loan disbursement.

Graph 1: Weekly average liquidity ratio

September 2019 – September 2022



Source: General License Banks

B. Solvency

At the end of the first half of 2022, corresponding to the last available IAC, the International Banking Center's aggregate solvency ratios remained high. The capital adequacy ratio on risk-weighted assets was 15.11% at the end of IIQ2022 (**see Graph 2**), easily exceeding the regulatory minimum of 8%. Capital compliance of the banks that make up the IBC did not record significant changes versus the previous quarter. In a year-on-year comparison, this ratio slightly lowered (-1.25 bp).

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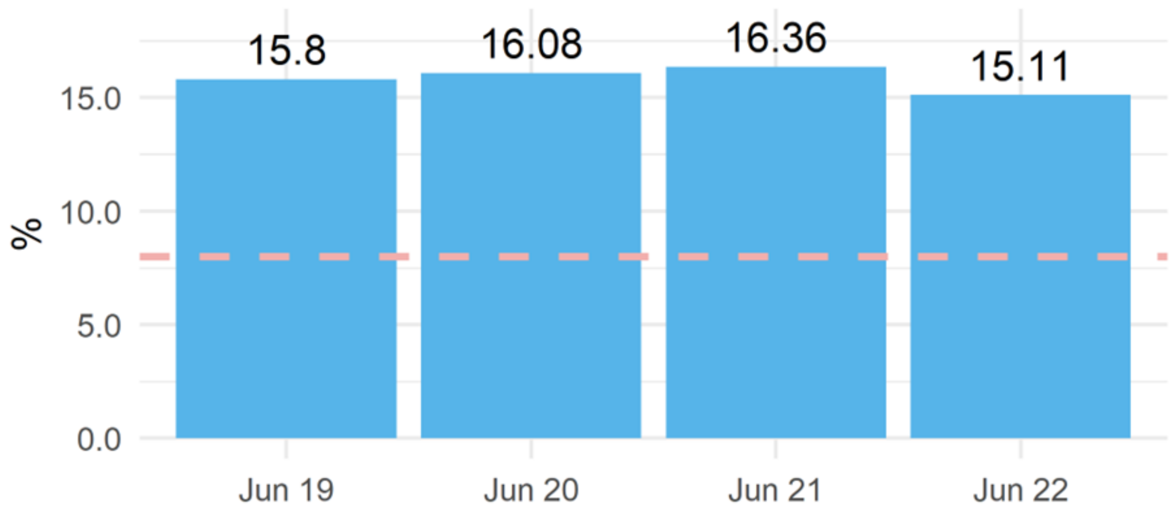
This decrease resulted from RWA increases, driven by strong private sector loans and a decline in capital funds. This decrease in capital funds responds to the use of the dynamic provision, in accordance with the provisions of Circular SBP-DR-0124-2020 dated 15 April 2020 and as previously established in Article 5 of Rule 2-2020 dated 16 March 2020. Currently, all banks running operations satisfactorily comply with the new bank capital regulatory standards.

Graph 2: Capital Adequacy Ratio
June 2019 – June 2022



Source: General and International License Banks

C. Income Statement

Cut to September, the profits of IBC banks totaled USD 1.35 billion, a figure that represents a 40.7% increase versus the same period of 2021. This result was drove by the positive evolution of the financial margins and commissions, derived from the continuous growth in the loan portfolio; the extraordinary income by a banking group; cost control; as well as a reduction in provisions. With this result, the net profit of the banking system would be at levels closer to the pre-pandemic period.

Thus, in addition to receiving profits generated abroad by an International License bank, the profits for the period responded significantly to the increase in other income (+24.6%) and net interest income (+18.4%) in its portfolio and investment interest income accounts. It is noteworthy that because of the cycle of interbank market interest rate hikes, deposit profits increased by 97.3%.

General expenses amounted to USD 2.15 billion, a year-on-year rise of 22.5%. This increase responds, in part, to digitalization initiatives. Banks are well-positioned to absorb short-term costs associated with increased investment in financial technology, which could lead to greater efficiency, reduce cyber risks, and [provide] new products and services.

Bad debt provision totaled USD 526.1 million; an amount 12.8% lower than that recorded in the same period of 2021. However, although this is a reduction compared to that reached a year earlier, compared to the previous month it shows an increase in these provisions.

Said growth would reflect an increase that allowed banks to execute provisions for impairment expenses in the loan portfolio, particularly in the corporate sector. Given these measures, bank delinquency and overdue portfolio balances fell slightly. Although we expect that the increase in loans and efficiency gains will support improvements in banks' financial margins in the short-term, moving forward there are risks for financial stability rising from a more complex macro-financial situation, the tightening of financing conditions, and the increase in uncertainty. Therefore, we estimate that provisioning expenses should remain above pre-pandemic levels, as banks continue to write off exposures to borrowers who were unable to resume payments in the context of COVID-19 and the financial relief program related to this event, coupled with an international environment that requires extreme caution.

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

International Banking Center	Jan.-Sept.	Jan.-Sept.	Difference	
	2021	2022	%	USD
Net interest income	1,722.1	2,039.1	18.4%	317.0
Other income	1,590.7	1,981.3	24.6%	390.5
Operating income	*3,312.9*	*4,020.4*	*21.4%*	*707.5*
General expenses	*1,754.5*	*2,149.7*	*22.5%*	*395.2*
Profit before provisions	1,558.4	1,870.7	20.0%	312.3
Provisioning expenses	603.0	526.1	-12.8%	(76.9)
Profit for the period	**955.4**	**1,344.7**	**40.7%**	**389.3**

Source: General and International License banks.

The National Banking System recorded accumulated net profits, as of September 2022, of USD 1.09 billion, 29.7% more than that of September 2021. Like what happened in the IBC, greater credit activity and lower provisioning had a positive impact on the sector's profits.

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

National Banking System	Jan.-Sept.	Jan.-Sept.	Difference	
	2021	2022	%	USD
Net interest income	1,636.9	1,886.6	15.3%	249.7
Other income	1,389.0	1,672.2	20.4%	283.1
Operating income	*3,025.9*	*3,558.7*	*17.6%*	*532.8*
General expenses	*1,589.5*	*1,957.5*	*23.2%*	*368.0*
Profit before provisions	1,436.4	1,601.2	11.5%	164.8
Provisioning expenses	602.0	518.7	-13.8%	(83.4)
Profit for the period	**834.4**	**1,082.6**	**29.7%**	**248.1**

Source: General license banks.

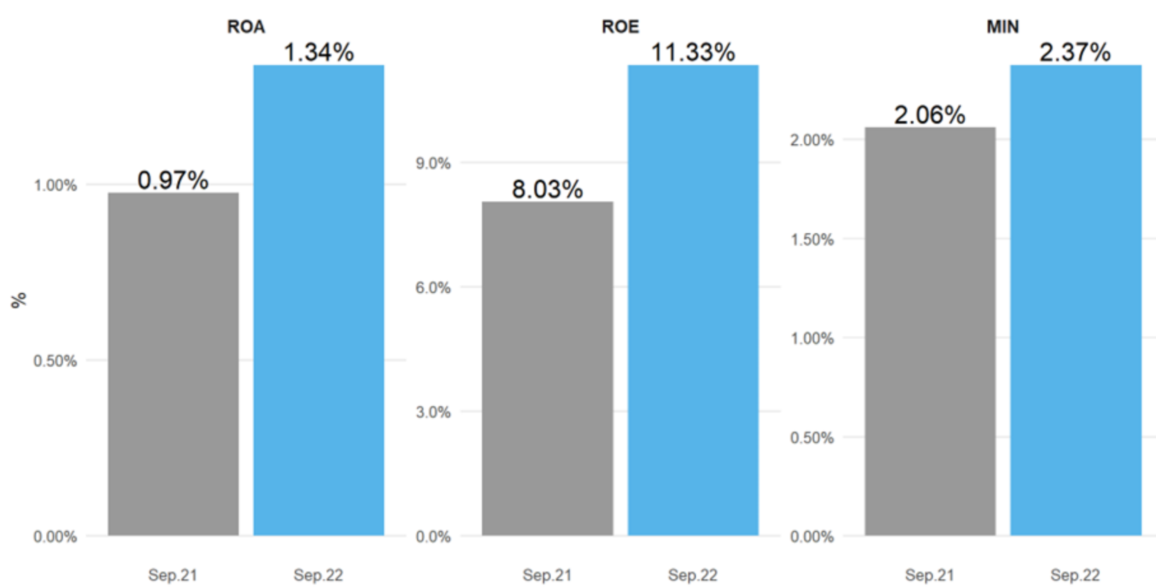
In nominal terms, both the IBC and the NBS record financial margins slightly higher than pre-pandemic ones. We expect that banks in the system will continue with cost control and operational efficiency strategies. Currently, IBC efficiency levels are around 53%.

D. Profitability indicators

As of September 2022, the IBC presented positive profitability indicators higher than those observed in previous months. Therefore, the total IBC results reached 1.34% (ROA) and 11.3% (ROE); i.e., 36 bp and 330 bp, respectively, higher than those a year earlier (**see Graph 3**). This increase occurred in an environment of placement improvements, the greater positive contribution of extraordinary results, and the decrease in asset impairment provisions.

Although this result is positive, it is asymmetrical among credit entities, and there are still challenges ahead, among which are to finish recognizing the impairment of modified loans, maintaining the capitalization of profits to continue having capital strength, and continuing with the process of phasing out temporary regulatory flexibilities included in the modified loan categories.

Graph 3: Profitability Indicators - IBC
September 2021 – September 2022



Source: General and International License banks

E. Balance Sheet

The assets of the International Banking Center totaled USD 136.75 billion, a USD 5.56 billion increase versus September 2021 or a year-on-year rise of 4.2%, which was the result of increases in the net loan portfolio (14.2%) and the securities account (6.8%). As we have mentioned in previous reports, on the liquid assets side, although they fell short (-26.5%), this is a counterpart reflection of loan increases. Notably, over 80% of these are high-quality liquid assets; that is tier-one, placed in deposits with authorized entities and transformed into cash quickly and immediately, and whose loss of value is little or zero, as stated in the banking regulations and Basel standards on which local regulations are based.

Regarding the net loan portfolio as of September 2022, the IBC showed an increase of 14.2% to reach USD 82.87 billion. In this way, the IBC loan portfolio continues to evolve favorably, and the expectations of new placements are in an expansion area, but of lower growth going forward due to the scenario of standardization of the global monetary policy and the perspective of lower growth during IIQ2022. On the performance of the external loan portfolio, it increased by 35.4%.

About bank financing sources, they represent a high percentage of the IBC's funding and finance its loan operations, which results in a low dependence on wholesale funding through market debt issuances, which are typically more volatile. IBC deposits, as of September 2022, totaled USD 96.88 billion, a year-on-year rise of USD 169 million (0.2%). Remarkably, the balance of traditional bank deposits, i.e., demand deposits (savings withdrawn at any moment), and fixed-term deposits are underperforming, which could be partially explained by the need to increase household current spending and business requirements.

Obligations presented increases of 43.9%, while liabilities declined 12.3% compared to September 2021. As for obligations, it is worth noting that these instruments are more focused on investments. Although there are increases in the cost of borrowing, current market conditions could produce an appetite for this kind of strategies to mitigate liquidity risks in the future, to reduce the uncertainty of even higher rates that could compromise new investment decisions and take advantage of the flattening of the curve that exists between the short- and medium-term rates.

Table 3: International Banking Center
Balance Sheet
(In millions of USD)

Breakdown	2021	2022	Sept. 22/Sept. 21 Difference	
	September	**September**	**Total**	**%**
Liquid assets	23,914	17,586	-6,328	-26.5%
Net loan portfolio	72,549	82,870	10,321	14.2%
Domestic	*52,568*	*55,809*	*3,241*	*6.2%*
External	*19,981*	*27,060*	*7,080*	*35.4%*
Securities	27,235	29,084	1,849	6.8%
Other assets	7,501	7,204	-297	-4.0%
Total Assets	**131,199**	**136,744**	**5,545**	**4.2%**
Deposits	96,711	96,880	169	0.2%
Domestic	*62,248*	*61,300*	*-949*	*-1.5%*
External	*34,463*	*35,580*	*1,117*	*3.2%*
Obligations	14,178	20,406	6,228	43.9%
Other liabilities	4,326	3,796	-530	-12.3%
Capital	15,985	15,663	-322	-2.0%

Source: General and International License banks

The assets of the National Banking System (general license banks only) totaled USD 120.26 billion, USD 5.86 billion or 5.1% more than that of September 2021. The net loan portfolio of the National Banking System showed a USD 8.47 billion (12.7%) increase amounting to USD 75.20 billion. Net external loans grew 36.9%, while the net domestic portfolio had a performance of 6.2%. On the other hand, total deposits placed in the NBS amounted USD 84.52 billion, a 0.1% rise, which is the result of customer deposits.

Table 4: National Banking System
Balance Sheet
(In millions of USD)

Breakdown	2021	2022	Sept. 22/Sept. 21 Difference	
	September	September	Total	August
Liquid assets	18,534	13,899	-4,635	-25.0%
Net loan portfolio	66,732	75,199	8,468	12.7%
Domestic	*52,568*	*55,812*	*3,244*	*6.2%*
External	*14,164*	*19,388*	*5,224*	*36.9%*
Securities	22,373	24,283	1,910	8.5%
Other assets	6,758	6,872	114	1.7%
Total Assets	**114,397**	**120,254**	**5,856**	**5.1%**
Deposits	84,447	84,520	72	0.1%
Domestic	*62,162*	*61,090*	*-1,073*	*-1.7%*
External	*22,285*	*23,430*	*1,145*	*5.1%*
Obligations	13,996	20,003	6,007	42.9%
Other liabilities	3,642	3,663	21	0.6%
Capital	12,311	12,068	-244	-2.0%

Source: General License banks

F. Loans

As of the end of IIIQ2022, the National Banking System recorded a growth in the gross loan portfolio, which reached a total of USD 58.14 billion, with a 12-month performance of 6.2% (USD 3.41 billion), related to the highest qualified loan demand. With this result, the private banking loan portfolio recorded the highest annual growth since January 2018.

The private sector represents 97% of loan disbursement within the financial system. The analysis by credit segment reflects, in part the current economic environment, in which, although all sectors have a greater need for financing, the sectoral performance is asymmetrical, which would be reflecting spending priorities as well as the greater exposure to the factors that affect economic activity in each sector. As for the corporate portfolio balance, in September 2022, all productive activities showed positive performances, except for loans to Mining and quarrying (-4.6%) and Construction (-8.9%). On the consumer loan portfolio side, mortgages showed an annual growth of 4.4%, amounting to USD 19.51 billion, and the personal consumption went to 3.6%, compared to the same period a year earlier, reaching USD 13.03 billion.

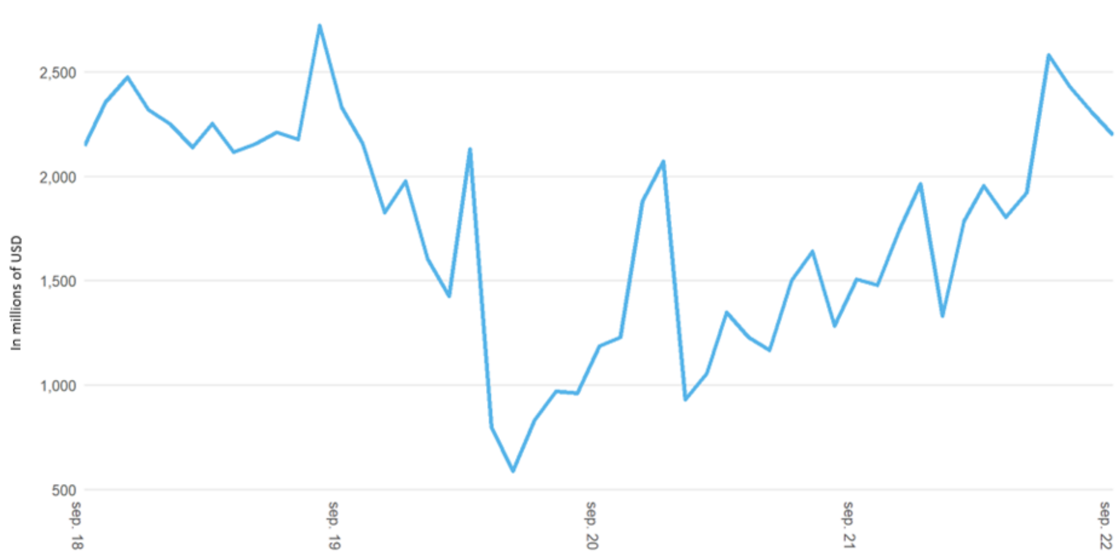
Table 5: National Banking System
Balance of domestic loan portfolio by economic sectors
(In millions of USD)

Sector	September 2021	September 2022	Sept. 22/Sept. 21 Difference	
			Total	%
TOTAL	**54,727**	**58,135**	**3,408**	**6.2%**
Public sector	1,516	1,860	344	22.7%
Private sector	53,211	56,275	3,064	5.8%
Financial & insurance activities	1,191	1,590	399	33.5%
Agriculture	429	479	50	11.6%
Livestock	1,367	1,408	42	3.0%
Fishing	82	114	31	38.2%
Mining & Quarrying	54	51	-2	-4.6%
Commerce	10,647	11,901	1,254	11.8%
Industry	2,731	3,227	496	18.2%
Mortgages	18,680	19,506	827	4.4%
Construction	5,459	4,976	-483	-8.9%
Personal consumption	12,572	13,023	451	3.6%

Source: General License banks

Regarding new loan applications and granting so far this year, they remain at levels higher than those reported in 2020 and 2021, casting a positive outlook for the financial sector, which is still recovering from the lags of the pandemic, and although so far this year, this portfolio continues to grow, it showed a slight slowdown that has been accentuated since July 2022 (**see Graph 4**).

Graph 4: Housing Portfolio Growth
September 2018 – September 2022



Source: General License Banks

Particularly, although consumer portfolio performance is positive, it has begun to show signs of moderation in its growth rate. Similarly, although there is a seasonal component in the results of the corporate portfolio, the perception of a less favorable environment for investment and consumption could lead to greater caution in decision-making for households and corporations to obtain loans, which could affect a moderation of loans to the private sector, a moderation of its performance.

Table 6: National Banking System
New domestic loans by sectors and activities
(In millions of USD)

Sectors	Sept. 2022	Sept. 2022(P)	Jan.-Sept. 2021	Jan.-Sept. 2022	Sep. 22/Sept. 21 Difference Total	Sep. 22/Sept. 21 Difference %	Jan.-Sept. 22/21 Difference Total	Jan.-Sept. 22/21 Difference %
Public entity	59	188	216	1,169	129	218%	953	442%
Financial companies	54	125	436	1,132	71	130%	696	160%
Agriculture (incl. forestry)	17	14	147	192	-3	-16%	45	31%
Livestock	36	61	383	592	25	71%	208	54%
Fishing	2	5	29	29	3	167%	1	2%
Mining & Quarrying	3	0	9	11	-3	-88%	1	16%
Commerce (incl. Services)	727	1,146	5,178	9,033	418	58%	3,855	74%
Industry	167	170	1,680	1,760	4	2%	80	5%
Mortgages	179	168	1,333	1,528	-12	-6%	196	15%
Construction	86	137	798	1,204	51	60%	406	51%
Personal consumption	177	182	1,447	1,659	5	3%	212	15%
TOTAL	**1,507**	**2,197**	**11,656**	**18,311**	**690**	**46%**	**6,655**	**57%**

G. Credit Risk

As of September 2022, the National Banking System recorded a delinquency ratio of 4.0%, of which 1.6% represents loans with arrears of 30+ days and 2.3% for loans with arrears of over 90+ days.

The nonperforming loans component influenced the delinquency ratio (**see Graph 5**). As of the end of IIIQ2022, the 90+ days overdue indicator fell to 2.3% due to credit write-offs and the expansion of the loan portfolio. However, we expect that asset quality will be weaker in the coming months, although it should remain manageable thanks to banks' conservative growth strategies and lending practices, focused on clients with adequate borrowing capacity. A prominent level of loan loss reserves, sustained profitability, and strong capitalization should allow for risk mitigation.

Similarly, and favorably, delinquent and overdue loans provisions strengthened during the pandemic, increasing banks' ability to absorb future loan impairment losses. With this, provisions for credit losses on overdue loans, including additional reserves for loan impairment, reached 134.5%.

Graph 5: Portfolio Quality: Past Due and Delinquent

September 2017 – September 2022

Source: General License Banks

H. NBS Modified [Loan] Portfolio Structure

As part of the efforts to mitigate the financial risks caused by the pandemic, the SBP developed various regulations to focus the endeavors of the supervised entities on the definition and implementation of measures to mitigate the effects of the financial market conditions and the health emergency, included today in a so-called modified [loan] portfolio. This portfolio, as of September 2022, totaled USD 3.04 billion.

The foregoing would represent 76% less than that of September 2021. The sectors with the greatest shifting towards the regular portfolio under Rule 4-2013 are the household segment and the real estate sector.

On the other hand, in the framework of the classification established by Board of Directors' General Resolution SBP-GJD-0003-2021, as of the end of September 2022, the portfolios that could entail the greatest risk would be the modified doubtful and modified loss, because to date they were unable to make payment arrangements and together amount to USD 935 million.

Because economic activity returned to normal, the lockdown measures have gradually ceased, which has affected this performance. This downward trend of the modified [loan] portfolio and its level suggests the need to update the regulations on this type of portfolio and to restore Rule 4-2013 on credit risk. Although these rules are under discussion, we expect to produce a plan to prudently manage the case of higher risk loans or those that are loss but recognizing the provisions and penalties under international financial reporting standards.

Table 7: Modified loans of the National Banking System by Economic Activity
(In millions of USD)

Sectors	2021 September	2022 September	Total Diff.	% Diff.
Mortgages	5,831	1,504	-4,327	-74.2%
Consumer	2,607	780	-1,827	-70.1%
Construction	1,778	234	-1,544	-86.8%
Services	1,528	324	-1,204	-78.8%
Commerce	719	125	-594	-82.6%
Industry	151	13	-138	-91.4%
Others	229	57	-172	-75.1%
Total	12,843	3,037	-9,806	-76.4%

I. Deposits

The deposits of the International Banking Center for September 2022 recorded USD 96.88 billion, USD 168.6 million more (+0.2%) versus September 2021 (**See Table 8**). Domestic deposits recorded a decrease during the surveyed period of USD 949 million, which represents a decline of 1.5% compared to September 2021, because of a reduction of customer deposits (-0.7%), bank institutional deposits (-6.1%), and state deposits (-3.8%). It is noteworthy that the balance of traditional bank deposits, i.e., demand deposits (savings withdrawn at any moment), and fixed-term deposits are underperforming, which could explain the need to increase household current spending and business requirements.

On the other hand, external deposits grew by USD 1.12 billion reaching USD 35.58 billion, having as main component interbank deposits increasing by 6.4% or USD 484 million; in connection with the foregoing, external customer deposits rose 2.5%, while state deposits declined 12.2%.

Table 8: International Banking Center
Total Deposits
(In millions of USD)

	2021	2022	Sept. 22/Sept. 21 Difference.	
	September	September	Total	%
Total Deposits	**96,711**	**96,880**	**169**	**0.2%**
Domestic	**62,248**	**61,300**	**-949**	**-1.5%**
Government	11,391	10,961	-431	-3.8%
Customer	47,482	47,171	-311	-0.7%
Banks	3,375	3,168	-207	-6.1%
External	**34,463**	**35,580**	**1,117**	**3.2%**
Government	359	315	-44	-12.2%
Customer	26,568	27,245	677	2.5%
Banks	7,536	8,020	484	6.4%

Source: General and International License banks.

In the case of the banks of the National Banking System, there is a trend like that of the IBC, recording a balance of USD 84.52 billion, a 0.1% increase versus September 2021, driven by external deposits as domestic deposits are underperforming (**see Table 9**).

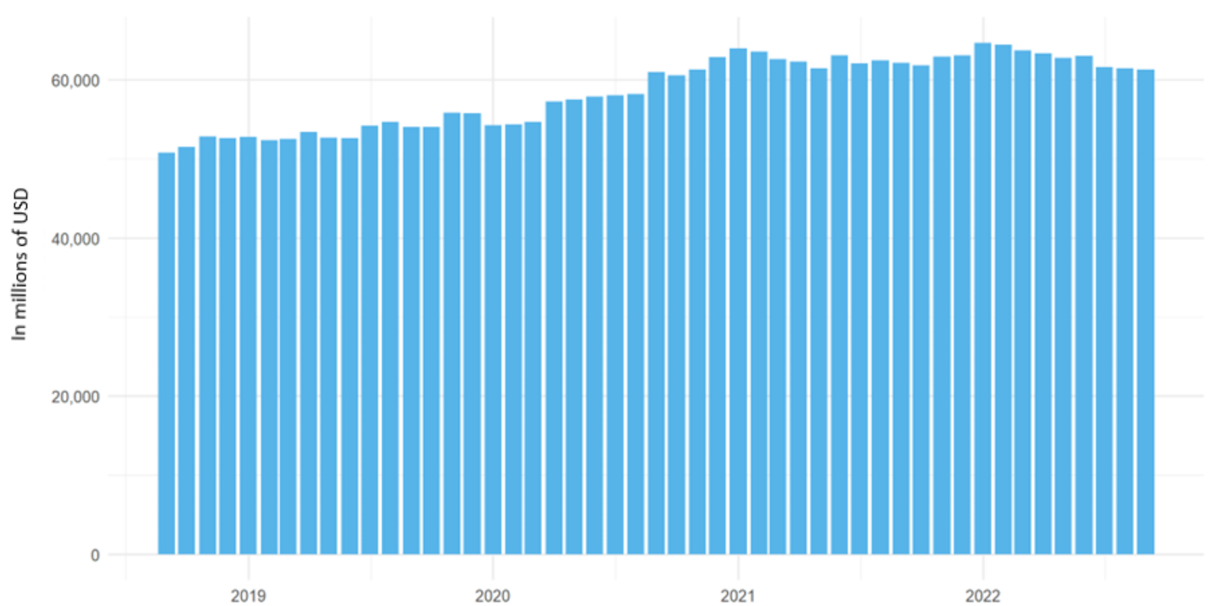
Table 9: National Banking System
Total Deposits
(In millions of USD)

Accounts	2021	2022	Sept. 22/Sept. 21 Difference.	
	September	September	Total	September
Total Deposits	**84,447**	**84,520**	**72**	**0.1%**
Domestic	**62,162**	**61,090**	**-1,073**	**-1.7%**
Government	11,391	10,961	-431	-3.8%
Customer	47,482	47,171	-311	-0.7%
Banks	3,289	2,958	-331	-10.1%
External	**22,285**	**23,430**	**1,145**	**5.1%**
Government	359	306	-53	-14.7%
Customer	14,877	15,599	723	4.9%
Banks	7,050	7,524	475	6.7%

Source: General License banks.

IBC deposits' structure is based on collecting customers and corporate deposits, which hold 85% of total deposits and the remaining 15% are interbank positions. Remarkably, domestic deposits of the National Banking System account for 72.2% of total NBS deposits. **Graph 7** shows the evolution of domestic deposit balance.

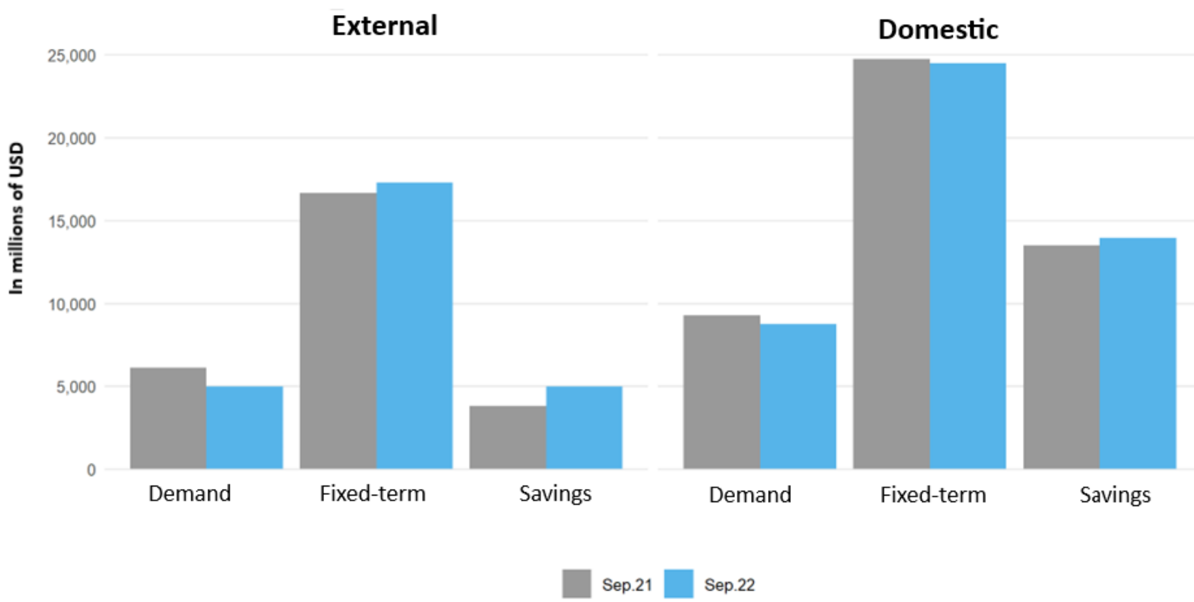
Graph 6: Total Domestic Deposits
September 2018 – September 2022



Source: General license banks.

Regarding the structure of customer liabilities by maturity, fixed-term deposits continue to be the most important savings instrument. In the Banking Center, as of September 2022, domestic customer fixed-term deposits amounted to USD 24.49 billion, followed by savings rising to USD 13.95 billion, and demand deposits totaling USD 8.74 billion.

Graph 7: Customer Deposits
September 2021 – September 2022



Source: General and International license banks.

Domestic customer deposits increased (+3.4%). On the other hand, the growth of fixed-term deposits has lost momentum. Although until a couple of months ago the reported balances skyrocketed, in September customer fixed-term deposits fell. Notably, the performance observed in fixed-term deposits could, among others, be related to the expectation of upward trend changes in interest rates. Similarly, interest paid on fixed-term deposits hikes are still incipient. Although in the past, these payments increased significantly at the face of external rate hikes, they could be lagging due to the lower need for funds by financial entities in an environment in which they still have high liquidity ratios and deposits balances widely exceeding credit.

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