Superintendencia de Bancos de Panamá

Banking Activity Report

November 2024

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Executive Summary

At the closing of November 2024, the International Banking Center (IBC) of Panama demonstrated strong operational and financial performance, reflecting prudent management and remarkable resilience in the face of a challenging international and local economic environment. With financial soundness indicators exceeding regulatory requirements and positive operational results, the IBC reinforces depositors' and investors' confidence, positioning itself as an essential pillar of Panama's financial system and a regional benchmark.

I. **Financial Soundness Indicators**: Banks in the jurisdiction presented robust financial indicators, reflecting their stability and resilience. The average liquidity ratio, at 54.1%, comfortably exceeded regulatory requirements, ensuring adequate capacity to withstand stress events or market fluctuations. Additionally, the Capital Adequacy Ratio (CAR) stood at 15.9%, indicating a suitable capacity to absorb unexpected losses and maintain operational sustainability. This level aligns with the international Basel III standards.

II. Assets: Total assets in the IBC reached USD 152.996 billion in 2024, reflecting a 4.7% year-on-year growth. This performance was driven by the expansion of the net loan portfolio, totaling USD 94.970 billion (an 8.6% year-on-year increase). Within this portfolio, the external segment grew by 14.4%, while the domestic segment grew by 5.7%, highlighting dynamic activity in both local and international markets. This growth underscores the system's operational resilience, supported by the expansion of productive assets and a strategy focused on resource optimization and strengthening the capital and liability's structure. As a result, the IBC maintains a healthy profitability profile with controlled risk exposure.

III. Income Statement and Profitability Indicators: As of November 2024, the IBC's cumulative profits amounted to USD 2.705 billion, representing an 8.4% year-on-year increase. This performance was mainly driven by a 7.0% rise in operating income, totaling USD 6.242 billion, boosted by a 12.6% increase in other income (USD 3.054 billion), indicating greater diversification in the banking system's revenue sources. Meanwhile, expenses stood at USD 3.033 billion, up by 4.7%, reflecting efficient cost management and improved operational efficiencies. Regarding financial indicators, the Return on Assets (ROA) reached 1.97%, and the Return on Equity (ROE) stood at 16.45%, indicating efficient utilization of assets and capital for profitability generation. However, the Net Interest Margin (NIM) experienced a slight contraction to 2.74% (compared to 2.79% during the same period in 2023), attributed to continued funding cost pressures and interest rate competition. The improvement in ROA and ROE despite this contraction highlights the system's ability to offset these pressures through operational efficiencies and stronger non-interest income, showcasing the Panamanian banking system's resilience in maintaining sustainable margins in a competitive environment.

IV. Local Credit: As of November 2024, local credit in the National Banking System (NBS) reached USD 64.183 billion, reflecting a 5.3% year-on-year growth, driven by sectors such as commerce (+9.1%), personal consumption (+4.4%), and agriculture (+20.7%). However, some segments experienced contractions, including fishing (-33.2%), affected by adverse weather conditions, and mining and quarrying (-27.8%), due to decreased activity. The construction sector also recorded a slight decline of -0.6%, reflecting challenges in the recovery of infrastructure and housing projects. During the cumulative period from January to November, USD 22.862 billion in new loans were disbursed, an 11.3% increase compared to the same period in 2023. In terms of portfolio quality, the past-due loan ratio slightly improved to 2.3% (vs. 2.5% in 2023), while the delinquency rate decreased to 1.7%, with a provision coverage of 101.49%. This performance reflects prudent credit risk management, although it remains necessary to monitor specific segments to mitigate risks.

V. Deposits: Total deposits in the IBC amounted to USD 107.403 billion (+3.1% year-on-year). Domestic deposits grew by 3.2%, reaching USD 66.866 billion, led by a 5.2% increase in individual deposits. Meanwhile, external deposits rose by 2.8%, totaling USD 40.537 billion. It is noteworthy that the contribution of external deposits to the absolute increase in deposits (USD 1.098 billion, equivalent to 34.3% of total growth) underscores the importance of this segment in the IBC's funding structure. This is particularly relevant in a country like Panama, which does not have a central bank. This situation highlights the need to maintain a solid and diversified funding base since the absence of a monetary institution like a central bank increases the dependency on international capital flows to support system liquidity. In this context, a reliable legal environment, supported by a stable regulatory framework and the careful adoption of new provisions, stands as a fundamental pillar for ensuring the sustained capture and retention of these flows, thereby reinforcing stability and confidence in the financial system. A stable, predictable, and transparent regulatory framework not only strengthens the confidence of foreign investors and depositors but is also crucial for preserving the overall stability of the financial system.

VI. Conclusion: The Panamanian banking system demonstrated resilient performance as of November 2024, with progress in assets, credit, and deposits, maintaining a healthy balance between domestic and international segments. The improvement in credit quality and provision coverage underscores its ability to manage risks, while the growth in external deposits strengthens its position as an attractive and reliable financial center. Solvency and liquidity indicators continue to show comfortable margins, remaining above regulatory requirements, reflecting efficient capital management, the ability to meet short-term commitments, and a strengthened position to absorb potential systemic shocks. This positive performance is attributable to a robust prudential regulatory framework, effective supervisory measures, and significant advancements in comprehensive risk management by banking entities. The Superintendency of Banks of Panama (SBP) will continue to play a fundamental role through comprehensive prudential supervision, aimed at ensuring the stability of the financial system and proactively mitigating potential vulnerabilities that could compromise the financial stability of the IBC.

A. Liquidity

As of the end of November of the current year, the Panamanian banking sector has demonstrated a solid operational position, reflected in an average liquidity ratio of 54.1%, surpassing the regulatory minimum requirements.

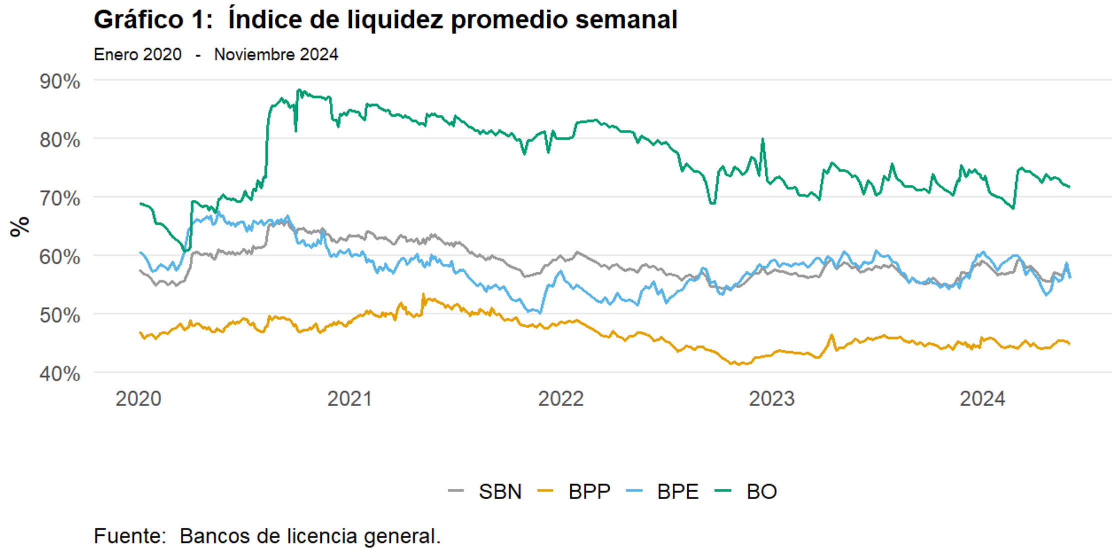
Banks in the system have historically maintained robust liquidity buffers, supported by consistent access to both structural and wholesale deposits, which remain key components of their funding structure. Although wholesale deposits offer cost advantages, they also pose inherent volatility risks during periods of economic uncertainty, underscoring the need for diversified and proactive liability management. The strength of retail deposits reduces exposure to the typical volatility of wholesale deposits but requires banks to maintain a strong relationship with their customer base and careful management.

Entities operating within the International Banking Center (IBC) are subject to regulatory provisions aligned with Basel III standards. Specifically, the Liquidity Risk Indicator, designed to assess funding capacity in emergency scenarios with a 30-day horizon, reveals that Panamanian banks maintain levels above the minimum requirements due to prudent management of asset and liability maturities, a diversified funding structure, and high asset quality. Moreover, compliance with Basel III requirements provides the banking system with a robust capital structure, enabling effective short-term liquidity management while mitigating the risk of structural imbalances in a globally volatile environment.

Currently, the banking system comfortably meets the Liquidity Coverage Ratio (LCR) requirements, with an average exceeding the regulatory threshold. This level of compliance reinforces the sector's ability to face potential tensions in financial markets. Although interest rates have begun to decline, alleviating some funding cost pressures, it will be crucial for banks to adjust their strategies to capitalize on this monetary easing environment in developed countries while maintaining prudent management to ensure healthy financial margins and adequate liquidity.

The system's resilience to potential external shocks will depend on its ability to maintain these liquidity buffers at optimal levels, ensuring operational sustainability and responsiveness over the medium and long term.

Graph 1: Weekly Average Liquidity Ratio
January 2020 – November 2024



Source: General license banks.

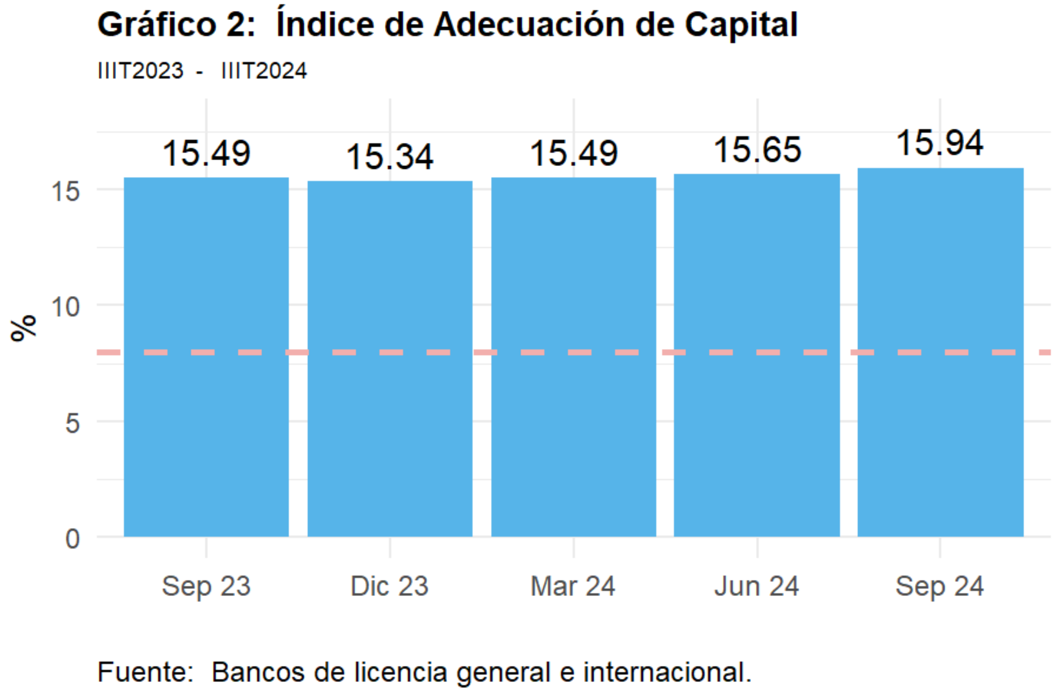
B. Solvency

The Capital Adequacy Ratio (CAR) of banks in the International Banking Center (IBC) has maintained adequate solvency indicators, standing above the required 8%. The CAR, adjusted for asset risk, stood at 15.9% at the end of September 2024 (the most recent data available) (**see Graph 2**), surpassing the regulatory threshold of 8% and reflecting positive financial resilience in the face of potential adverse scenarios. This level of capitalization provides an adequate cushion that strengthens the banks' capacity to absorb unexpected losses. The stability observed compared to the previous quarter indicates that institutions have managed to maintain prudent capital levels in a challenging economic environment.

To date, the banks within the IBC comply with regulatory standards on banking capital, underscoring the effectiveness of risk and capital management strategies guided by regulatory parameters. However, potential changes in risk-weighted assets (RWA) could put pressure on capital ratios in the future, especially if accompanied by an increase in credit or market risk. This highlights the importance of actively managing RWAs and maintaining a solid capital strategy that balances growth and risk control.

It is relevant that IBC banks continue strengthening their capitalization policies, particularly in an environment where external factors, such as changes in global and local macroeconomic conditions, could impact capital stability. Given the current outlook, it is essential to closely monitor external factors and local real sector conditions that may influence capital strength, adopting proactive measures to mitigate potential risks. The ability of banks to adjust their capital levels in a timely and efficient manner in response to potential fluctuations in RWAs will be a determining factor in the sustainability of their solvency.

Graph 2: Capital Adequacy Ratio
IIIQTR. 2023 – IIIQTR. 2024



Source: General and international license banks.

C. Income Statement

Regarding income statement, as of the end of November 2024, the International Banking Center (IBC) reported profits of USD 2,705 million, representing a year-on-year growth of 8.4%, primarily driven by strong performance in operating income and effective management of expenses. This performance is positive considering the persistent pressures on financial margins and funding costs.

The growth in profits is mainly supported by a 7.0% increase in operating income, which reached USD 6,242 million, driven by a 12.6% rise in other income, totaling USD 3,054 million. This performance reflects a diversification of income sources, which strengthens the operational resilience of the banking system in an environment characterized by still-high interest rates. Meanwhile, net interest income grew by 2.2%, reaching USD 3,188 million, suggesting a conservative but effective management of productive assets. However, it is essential to closely monitor the impact of interest rates on funding costs, as well as the pricing adjustment (repricing) strategies implemented by banks to mitigate competitive pressures and ensure the sustainability of financial margins.

In terms of expenses, they grew by 4.7% to USD 3,033 million, reflecting efficient management of operating costs in a technological transformation environment. This control of expenses, combined with the accelerated adoption of digital technologies, has helped mitigate inflationary impacts and generate greater operational efficiencies.

Moreover, these advanced technologies are strengthening cybersecurity, consolidating the sustainability and competitiveness of the banking sector in the medium and long term.

A key aspect is the management of provisions, which saw a 14.6% increase, reaching USD 504 million. This rise reflects a prudent provisioning policy to mitigate credit risks, ensuring readiness for potential asset quality deteriorations.

Looking ahead, IBC institutions must prioritize strategies focused on digitalization, income diversification, and strengthening asset quality indicators. The system's ability to adapt to changes in economic and market conditions will be critical to maintaining a controlled risk profile. Additionally, consolidation within the banking sector could present strategic opportunities for larger, well-capitalized banks, maximizing economies of scale and enhancing their competitive position in a continuously evolving environment.

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

ACCOUNTS	Jan - Nov 2023	Jan- Nov 2024	Var. Nov 24 / Nov 23	
			Absolute	%
C. Net interest income	3,120	3,188	67.7	2.2%
D. Other income	2,714	3,054	340.6	12.6%
E. Operating income	5,834	6,242	408.4	7.0%
F. General Expenses	2,898	3,033	135.1	4.7%
G. Profit before provisions	2,936	3,210	273.2	9.3%
H. Bad debt	440	504	64.1	14.6%
I. Profit for the period	**2,496**	**2,705**	**209.1**	**8.4%**

Source: General and International License banks.

At the level of the National Banking System (NBS), as of November 2024, cumulative net profits amounted to approximately USD 2,251 million, representing an 11.9% increase compared to the same period in 2023. This positive performance reflects a widespread rise in operating income, which grew by 8.0% to USD 5,545 million, driven by a 3.0% increase in net interest income (USD 2,845 million) and a remarkable 13.8% growth in other income (USD 2,700 million). Cost control is evident in general expenses, which registered a moderate increase of 5.0%, totaling USD 2,813 million, while provisions reflected an 8.1% rise, with bad accounts reaching USD 480 million. This efficient management of expenses and provisions has enabled robust growth in pre-provision profits, which rose by 11.2% to reach USD 2,731 million.

These results are consistent with the growth dynamics observed in the International Banking Center (IBC) and underscore the importance of continuing to implement prudential practices, with a focus on expenditure optimization and strengthening asset quality. This performance should be closely monitored to ensure that the system maintains its resilience against potential future risks, particularly in the context of still-high interest rates and increasing competition.

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

ACCOUNTS	Jan - Nov 2023	Jan - Nov 2024	Var. Nov 24 / Nov 23	
			Absolute	%
C. Net interest income	2,762	2,845	82.3	3.0%
D. Other income	2,372	2,700	328.0	13.8%
E. Operating income	5,134	5,545	410.3	8.0%
F. General Expenses	2,678	2,813	135.0	5.0%
G. Profit before provisions	2,456	2,731	275.4	11.2%
H. Bad debt	444	480	36.1	8.1%
I. Profit for the period	**2,012**	**2,251**	**239.3**	**11.9%**

Source: General License banks.

D. Profitability indicators

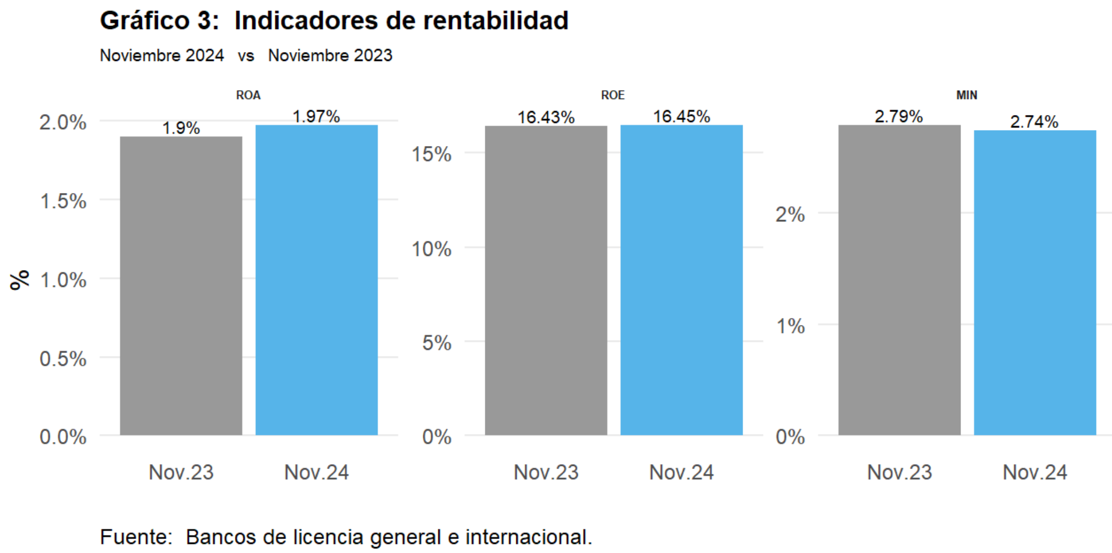
In terms of profitability indicators, the trend remains favorable, reflecting effective management by banks at an aggregate level. As of November 2024, the Return on Equity (ROE) stood at 16.45%, showing a slight increase of 0.02 percentage points compared to the previous year. Meanwhile, the Return on Assets (ROA) reached 1.97%, representing an increase of 0.07 percentage points, highlighting greater efficiency in the use of assets to generate returns.

It is important to note that although profitability indicators show positive developments, the Net Interest Margin (NIM) experienced a slight decline, standing at 2.74% in November 2024, compared to 2.79% recorded during the same period the previous year. This reduction reflects ongoing pressures on margins, possibly linked to competition in interest rates and funding-related costs. The improvement in ROA and ROE despite the slight contraction in NIM suggests that institutions have managed to offset these pressures through operational efficiencies and growth in other income streams.

While the ROE and ROA levels remain positive indicators of the banking system's profitability, the margin compression underscores the importance of implementing strategies for effective asset and liability management. To mitigate margin compression, it would be beneficial to diversify income sources, focusing on value-added products, digital services, and refinancing strategies that allow institutions to adjust their funding costs to current market rates.

Additionally, it is essential to maintain a continuous focus on operational efficiency and funding cost control. The International Banking Center (IBC) must remain vigilant to changing market conditions and international interest rate trends to sustain these profitability levels and mitigate the risks associated with declining financial margins.

Graph 3: Profitability Indicators
November 2024 vs. November 2023



Source: General and international license banks.

E. Balance Sheet

As of November 2024, the Panama International Banking Center (CBI) demonstrated a positive performance in its total assets, reaching USD 152,996 million, representing a year-on-year increase of USD 6,854 million or 4.69%. This growth reflects a strategy focused on optimizing returns on productive assets, complemented by active and prudent management of available resources, which has strengthened both the CBI's capital structure and liability base.

The main driver of this growth was the net credit portfolio, which grew by 8.56% year-on-year, reaching USD 94,970 million. Within this, the external segment stood out with a 14.41% increase, reaching USD 32,750 million, reflecting a geographic expansion of CBI's credit operations. Meanwhile, the domestic portfolio grew a solid 5.71%, reaching USD 62,220 million, consolidating itself as the most significant component of the credit structure. However, this diversification into external markets could also increase exposure to regulatory and market risks in less stable jurisdictions, requiring close monitoring.

Investments in net securities also contributed to the growth of productive assets, increasing by 6.08% to USD 33,118 million. In contrast, net liquid assets decreased by 10.57%, reflecting a strategic reallocation toward higher-yielding instruments. This change in the balance sheet composition demonstrates an active approach to maximizing returns on assets, though it could increase liquidity risks, particularly in an uncertain global economic environment.

On the liabilities side, deposits remain the main funding component for the CBI, reaching USD 107,403 million, an increase of 3.07% year-on-year. Domestic deposits grew by 3.25%, while external deposits increased by 2.79%, showing a balanced dynamic in both segments. Financial liabilities grew significantly by 8.24%, reaching USD 21,891 million, reflecting increased use of wholesale funding to complement the deposit base. This increase may be related to a greater need for diversification in funding sources, but it also raises exposure to financial costs in a high-interest-rate environment.

The CBI’s equity grew to a robust 9.37%, reaching USD 18,741 million, surpassing the growth rate of total assets (4.69%). This performance strengthens solvency indicators, enhancing the banking system's capacity to absorb financial shocks and ensure long-term stability. This growth in equity highlights a prudent approach to capital management, aligned with the best international practices.

From a global perspective, the macroeconomic environment continues to be characterized by economic slowdown and a potential shift in the Federal Reserve's interest rate stance. These factors could pressure funding margins, reduce the competitiveness of interest rates offered on deposits, and increase challenges in attracting international resources. Adapting funding strategies and maintaining a flexible balance sheet structure will be crucial to ensure stability in a scenario of higher economic and financial volatility.

Overall, the CBI's performance in November 2024 underscores its ability to efficiently manage its resources, prioritizing profitability without compromising stability. However, it will be essential to monitor risks associated with the global environment and adjust strategies to capitalize on opportunities and mitigate potential external pressures.

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

ACCOUNTS	Jan- Nov 2023	Jan- Nov 2024	Var. Nov 24 / Nov 23	
			Absolute	%
LIQUID ASSETS	**19,260**	**17,224**	**-2,036**	**-10.6%**
NET CREDIT PORTFOLIO	87,486	94,970	7,485	8.6%
Domestic	58,859	62,220	3,361	5.7%
Foreign	28,626	32,750	4,124	14.4%
NET INVESTMENTS IN SECURITIES	31,220	33,118	1,898	6.1%
OTHER ASSETS	8,175	7,683	-493	-6.0%
ACTIVO TOTAL NETO	**146,141**	**152,996**	**6,854**	**4.7%**
Deposits	104,203	107,403	3,200	3.1%
Domestic	64,764	66,866	2,102	3.2%
Foreign	39,439	40,537	1,098	2.8%
OBLIGATIONS	20,225	21,891	1,666	8.2%
OTHER LIABILITIES	4,579	4,961	382	8.3%
CAPITAL	17,135	18,741	1,606	9.4%
TOTAL LIABILITIES AND CAPITAL	**146,141**	**152,996**	**6,854**	**4.7%**

Source: General and International License banks

In the case of the National Banking System (NBS), total assets reached USD 137,255 million in November 2024, representing an increase of USD 7,504 million or 5.78% compared to the same month of the previous year. This growth reflects a continuous expansion in the asset structure, primarily driven by the increase in the net loan portfolio, which grew by 8.37% (USD 6,735 million) to reach USD 87,160 million. Within this portfolio, the external segment registered a significant increase of 15.64% (USD 3,373 million), while the internal segment grew by 5.71% (USD 3,361 million), consolidating its position as the most relevant component of NBS assets.

Net investments in securities grew by 6.36% (USD 1,688 million), reaching USD 28,225 million, while net liquid assets decreased by 3.18% (USD -475 million), totaling USD 14,472 million. This reduction may reflect a strategic reallocation toward more productive and higher-yielding assets. Additionally, other assets experienced a decline of 5.66% (USD -444 million), indicating strategic adjustments in the balance sheet composition.

Overall, this growth in total assets underscores NBS's efficient resource management, focusing on expanding productive assets and diversifying income sources. However, it will be important to monitor the decline in liquid assets given their crucial role in liquidity management and resilience against potential financial shocks.

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

Accounts	2023	2024	Var. Nov 24 / Nov 23	
			Absoluta	%
LIQUID ASSETS	**14,947**	**14,472**	**-475**	**-3.2%**
NET CREDIT PORTFOLIO	80,425	87,160	6,735	8.4%
Domestic	58,859	62,221	3,361	5.7%
Foreign	21,566	24,939	3,373	15.6%
NET INVESTMENTS IN SECURITIES	26,537	28,225	1,688	6.4%
OTHER ASSETS	7,841	7,398	-444	-5.7%
TOTAL NET ASSETS	**129,751**	**137,255**	**7,504**	**5.8%**
Deposits	91,389	95,665	4,276	4.7%
Domestic	64,677	66,731	2,054	3.2%
Foreign	26,711	28,934	2,223	8.3%
OBLIGATIONS	20,120	21,407	1,286	6.4%
OTHER ASSETS	4,370	4,780	410	9.4%
CAPITAL	13,873	15,404	1,531	11.0%
TOTAL LIABILITIES AND CAPITAL	**129,751**	**137,255**	**7,504**	**5.8%**

Source: General License banks

F. Credit

As of the end of November 2024, the gross local loan portfolio of the National Banking System reached a balance of USD 64,183.2 million, representing a 5.3% increase compared to the same period of the previous year. This growth translates into an absolute increase of USD 3,237.7 million. This performance was primarily driven by dynamism in the commercial segment and household consumption, suggesting an improvement in demand in these key areas of the loan portfolio. However, some sectors faced challenges that resulted in contractions. This growth is attributed to a combination of key factors, including improvements in credit conditions, increased business confidence, and a macroeconomic environment that, although less dynamic than in previous years, provides a more favorable context for the development of credit activities.

Table 5: National Banking System
Balance of Domestic Credit Portfolio by Economic Sectors
(In millions of USD)

Sector	nov-23	nov-24	Δ abosolute USD	Δ relative %
TOTAL	**60,945.5**	**64,183.2**	**3,237.7**	**5.3%**
Public sector	**2,043.8**	**2,347.5**	**303.8**	**14.9%**
Private sector	**58,901.7**	**61,835.7**	**2,933.9**	**5.0%**
Financial and insurance act.	1,723.0	1,920.3	197.3	11.4%
Agriculture	492.9	595.0	102.1	20.7%
Livestock	1,310.8	1,312.7	2.0	0.2%
Fishing	132.2	88.3	-43.9	-33.2%
Mining and Quarrying	57.5	41.5	-16.0	-27.8%
Commerce	12,395.7	13,521.4	1,125.7	9.1%
Inustry	3,652.0	4,058.2	406.3	11.1%
Mortgage	20,483.1	21,071.4	588.3	2.9%
Construction	5,023.8	4,992.1	-31.7	-0.6%
Personal Consumption	13,630.8	14,234.7	604.0	4.4%

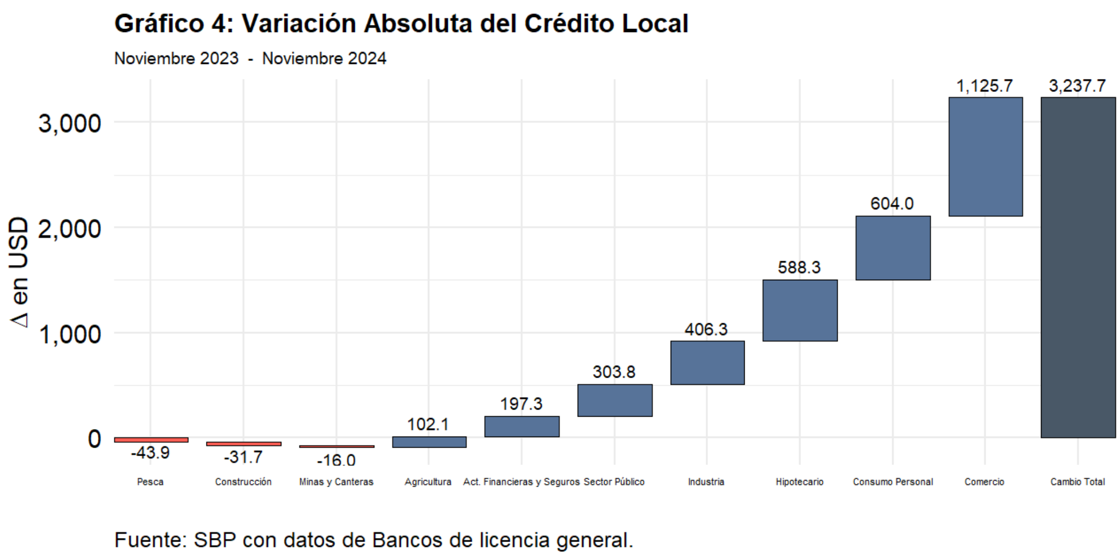
Source: General License banks

The agricultural sector stood out as one of the most dynamic segments, with a 20.7% growth in agriculture, adding USD 102.06 million to its loan portfolio. This performance reflects both an increase in domestic demand and an improvement in financing incentives aimed at the sector. Similarly, financial and insurance activities recorded an 11.4% increase, in line with the expansion of financial services and greater dynamism in both commercial and personal insurance. The industrial sector grew by 11.1%, driven by a recovery in manufacturing production and increased demand for industrial goods.

Commerce emerged as the primary driver of total credit growth, registering a 9.1% expansion, the largest in absolute terms. This performance was fueled by increased activity in both retail and wholesale trade, solidifying its position as the sector contributing most to overall credit growth. Personal consumption continued to grow at a rate of 4.4%, supported by rising disposable incomes and increased use of revolving credit instruments, such as credit cards. Meanwhile, the mortgage sector saw a 2.9% positive variation, indicating sustained demand for residential loans, driven by competitive interest rates and housing finance support programs.

However, some sectors faced contractions. The fishing sector recorded a 33.2% decline, equivalent to a reduction of USD 43.9 million, affected by adverse weather conditions and structural limitations inherent to the sector. Similarly, the mining and quarrying segment fell by 27.8%. Construction also showed a negative performance, with a 0.6% decline, reflecting the persistent challenges in the recovery of the real estate and infrastructure sectors observed throughout the year.

Graph 4: Absolute variation of domestic credit
November 2023 vs. November 2024



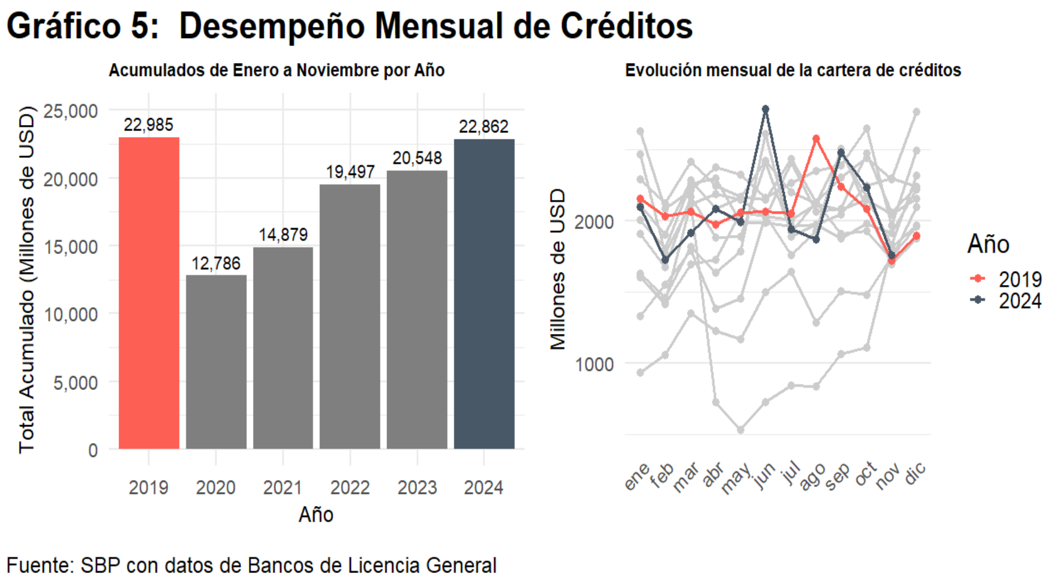
Source: General License banks SBP data

During the cumulative period from January to November 2024, the National Banking System recorded a total of USD 22.862 billion in new loans granted, representing an 11.3% increase compared to USD 20.548 billion during the same period in 2023. Although this performance reflects a continued recovery in lending activity, the levels achieved remain slightly below the USD 22.985 billion reported in 2019, prior to the impact of the pandemic.

However, an analysis of monthly trends suggests that, considering the typical year-end seasonality, it is feasible for 2024's performance to come even closer to 2019 levels. While the cumulative growth shows a positive trajectory, it also highlights that the banking system still faces challenges in consolidating robust and sustained growth in lending activity, particularly in an environment characterized by high interest rates and elevated funding costs. It is essential for financial institutions to implement differentiated strategies to enhance their competitiveness, diversify their lending portfolio, and maintain asset quality as the economic environment continues to evolve.

Graph 5: Monthly credit performance

Cummulative from January to November per year **Monthly evolution of the credit portfolio**



Source: General License banks SBP data

Corporate Credit: Corporate credit, excluding the financial sector, recorded annual growth equivalent to a 5.0% increase. This performance was led by the commerce sector, which grew by USD 1.1257 billion (9.1%), driven by heightened activity in both the wholesale and retail segments. The industrial sector also showed significant progress, with an increase of USD 406.3 million (11.1%), although this growth was highly concentrated in a sector related to power generation activities. Additionally, the agricultural sector experienced a 20.7% increase (USD 102.1 million), supported by stronger demand for agricultural products and policy incentives for the sector. On the other hand, some sectors experienced contractions that affected the overall performance. The fishing sector recorded a decline of USD 43.9 million (-33.2%) due to adverse conditions in international markets. Mining and quarrying fell by USD 16.0 million (-27.8%), while construction showed a slight reduction of USD 31.7 million (-0.6%), reflecting challenges in infrastructure and housing projects.

In summary, the corporate segment presents a dynamic characterized by heterogeneity, with sectors such as commerce, industry, and agriculture showing significant growth, while contractions in fishing, mining, and construction underscore structural limitations impacting their performance. These divergences highlight persistent challenges that hinder a uniform recovery in corporate credit.

Household Credit: As of November 2024, the household credit portfolio reached USD 34 billion, growing by 3.7% year-on-year (USD 1.226 billion). Residential mortgage loans increased by 3.2% (USD 621 million) but showed a deceleration in their growth rate.

Consumer credit grew by 4.4% (USD 604 million), driven by an 8.1% increase (USD 152 million) in vehicle financing and a notable 11.6% rise (USD 267 million) in credit cards, a revolving product characterized by its payment flexibility and high exposure to default risks, given its sensitivity to changes in economic conditions and associated interest rates. While these results reflect strengthened demand for financing, it is necessary to monitor the sustainability of growth in segments such as credit cards and personal loans, particularly due to their short-term nature and higher credit risk exposure.

Table 6: household credit - National Banking System
(in millions of USD)

Credit	nov-23	nov-24	Δ interannual USD	Δ relative %
Consumption credit	**13,631**	**14,235**	**604**	**4.4%**
Car	1,872	2,024	152	8.1%
Personal loan	9,451	9,636	185	2.0%
Card	2,308	2,575	267	11.6%
Housing mortgage	**19,144**	**19,765**	**621**	**3.2%**
TOTAL HOUSING CREDIT	**32,774**	**34,000**	**1,226**	**3.7%**

Source: General License banks

Regarding credit risk, in November 2024, the non-performing loan (NPL) ratio stood at 2.3% of the total loan portfolio, representing an improvement of 0.2 percentage points (pp) compared to the 2.5% recorded in November 2023. Similarly, the delinquency rate reached 1.7%, a reduction of 0.2 pp from the 1.9% observed the previous year. The provision coverage for non-performing loans reached 101.49%, demonstrating the system's capacity to absorb expected losses.

This improvement is attributed to enhanced risk management efficiency, credit restructuring strategies, and the partial recovery of certain clients' repayment capacity despite the economic slowdown experienced this year. However, significant exposures to sectors with ongoing deterioration remain, increasing the risk of the credit portfolio. Effective management of these portfolios will be crucial to maintaining credit quality in the medium term. Additionally, adopting a prudent approach to corporate and household segments will be essential to safeguarding the long-term stability and soundness of the banking system, particularly in a global environment marked by high economic uncertainty.

Economic conditions and credit environments will continue to be critical factors in ensuring the sustainability of these trends in the medium and long term. Moreover, consolidating a responsible financing policy and effective supervision will contribute to strengthening confidence in the financial system and supporting sustained economic growth.

G. Deposits

International Banking Center (IBC)

In November 2024, the International Banking Center (IBC) experienced year-over-year growth of 3.1% in bank deposits, reaching a total deposit volume of USD 107,403 million. This growth was supported by two main pillars: a 3.2% increase in domestic deposits, totaling USD 66,866 million, and a 2.8% rise in foreign deposits, which amounted to USD 40,537 million.

Domestic deposits grew by USD 2,102 million compared to the same month of the previous year. However, there was a 3.5% decline in domestic official deposits, which fell to USD 13,469 million. This decrease was offset by a 5.2% increase in domestic individual deposits, reaching USD 50,151 million, and a 3.4% rise in local interbank deposits, totaling USD 3,247 million, contributing positively to the overall growth of domestic deposits.

The IBC of Panama recorded a total of USD 40,537 million in foreign deposits as of November 2024, reflecting the continued confidence of foreign investors and entities in Panama's banking system. Despite variations among segments, external deposits grew as a whole. Foreign official deposits decreased by 22.3%, standing at USD 275 million. On the other hand, foreign individual deposits experienced a slight increase of 0.7%, totaling USD 30,887 million, while external bank deposits recorded a remarkable rise of 11.5%, amounting to USD 9,376 million. The sustained growth of external bank deposits suggests that international financial institutions continue to view Panama as a safe and attractive destination for their assets. This trend reinforces the IBC's competitiveness compared to other financial centers in the region, positioning Panama as a reliable banking hub for international capital in LATAM.

The contribution of external credits to the absolute increase in deposits (USD 1,098 million, equivalent to 34.3% of total growth) underscores the importance of this segment in the funding structure of the International Banking Center. This is particularly relevant in a country like Panama, which operates without a central bank. This highlights the critical need to maintain a solid and diversified funding base, as the absence of a central monetary institution increases dependency on international capital flows to support system liquidity. In this context, a reliable legal environment, supported by a stable regulatory framework and careful adoption of new provisions, is essential to ensure the sustained attraction and retention of these flows, thereby reinforcing stability and confidence in the financial system. A stable, predictable, and transparent regulatory framework not only strengthens the confidence of foreign investors and depositors but also plays a crucial role in preserving the overall stability of the financial system. The implementation of continuous monitoring, accompanied by policies that strengthen legal security and promote the diversification of external funding sources, will be key to mitigating risks associated with international market volatility. These measures will also contribute to the long-term sustainability of the banking system, allowing Panama to consolidate its position as a competitive and reliable financial center amid a global environment characterized by high uncertainty and dynamic changes.

These data highlight that banking deposits in Panama's financial market continue to be significantly driven by depositors' preference for secure investment options and stable returns, underscoring their confidence in the stability and solvency of the IBC's banking system. Given the potential fluctuations in international interest rates and the resulting changes in capital flows, continuous monitoring is crucial to manage any temporary imbalances in the funding structure. Ongoing evaluation is recommended to assess the need for adjustments in financing strategies and risk management to mitigate adverse impacts and ensure financial stability.

Table 7: International Banking Center
Total Deposits
(In millions of USD)

Accounts	2023 November	2024 November (p)	Var. Nov 24 / Nov 23 Absolute	%
TOTAL DEPOSITS	**104,203**	**107,403**	**3,200**	**3.1%**
Domestic	**64,764**	**66,866**	**2,102**	**3.2%**
Government	13,961	13,469	-493	-3.5%
Customer	47,662	50,151	2,489	5.2%
Banks	3,141	3,247	105	3.4%
Foreign	**39,439**	**40,537**	**1,098**	**2.8%**
Government	354	275	-79	-22.3%
Customers	30,680	30,887	207	0.7%
Banks	8,406	9,376	970	11.5%

Source: General and International License banks.

- **National Banking System (NBS)**

The National Banking System (NBS) of Panama demonstrated solid performance in 2024, aligning with the positive trends observed in the International Banking Center (IBC). As of November 2024, the total deposit volume reached USD 95.665 billion, reflecting a year-on-year growth of 4.7%.

This increase highlights sustained confidence in Panama's banking system despite challenging macroeconomic conditions in the region.

Domestic deposits grew by 3.2% year-on-year, reaching USD 66.731 billion. This increase was primarily driven by a 5.2% growth in domestic individual deposits, which totaled USD 50.151 billion. However, domestic official deposits registered a 3.5% decline, amounting to USD 13.469 billion, while domestic bank deposits showed more moderate growth of 1.9%, reaching USD 3.112 billion. Despite the growth in individual deposits, the decline in domestic official deposits stands out as an area that may require further analysis to assess its impact on internal funding stability.

On the other hand, external deposits showed more dynamic growth, increasing by 8.3% year-on-year and totaling USD 28.934 billion. This growth was mainly driven by a 15.2% increase in external bank deposits, which reached USD 8.892 billion, and a 6.1% rise in external individual deposits, amounting to USD 19.846 billion. However, external official deposits decreased by 33.1%, standing at USD 196 million, which may reflect a shift in the liquidity strategies of foreign official entities.

The absolute growth in external deposits (USD 2.223 billion) slightly exceeded the increase in domestic deposits (USD 2.054 billion), underscoring the growing importance of international funding for Panama’s banking system. Within this segment, external bank deposits contributed a significant 52% of the absolute increase in this category during November 2024. This dynamism not only reflects the active participation of international financial institutions in Panama’s banking system but also highlights their role as key players in providing liquidity and diversifying funding sources.

The consolidation of this link with international markets emphasizes the need for policies that strengthen legal security and promote regulatory stability, ensuring an attractive environment for the inflow of essential capital to sustain and enhance the country's financial system competitiveness.

Looking ahead, the stability and growth of the NBS will continue to support the credit position of Panama's banking system, consolidating its role as a key player in the region's financial system. However, continuous monitoring of international capital flows and the risks associated with the concentration of both external and internal deposits will be necessary to ensure the banking system’s stability in the medium and long term.

Table 8: National Banking System
Total Deposits
(In millions of USD)

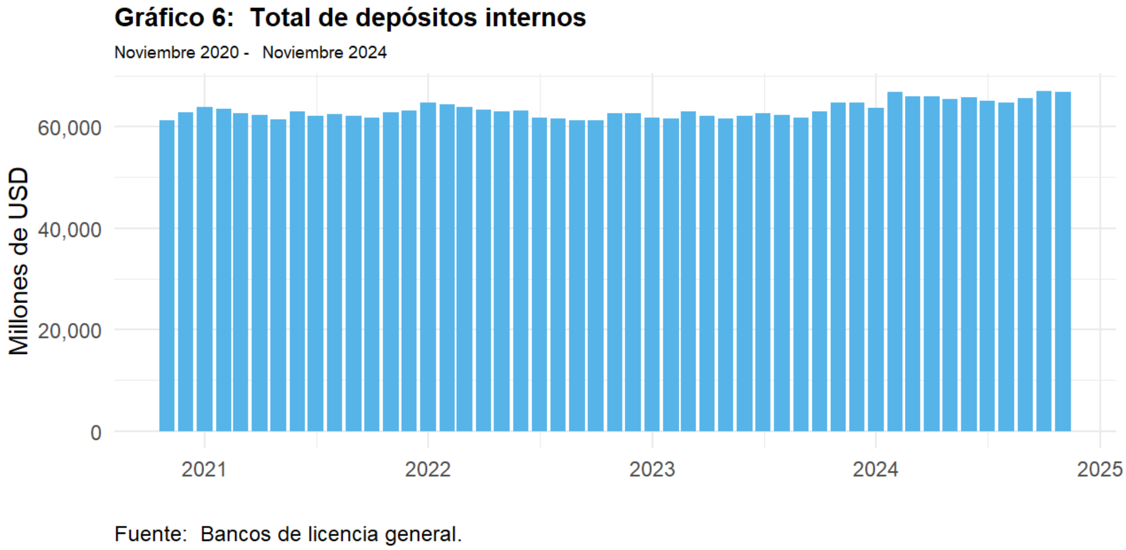
Accounts	2023 November	2024 November (p)	Var. Nov 24 / Nov 23 Absolute	%
TOTAL DEPOSITS	**91,389**	**95,665**	**4,276**	**4.7%**
Domestic	**64,677**	**66,731**	**2,054**	**3.2%**
Goverment	13,961	13,469	-493	-3.5%
Customers	47,662	50,151	2,489	5.2%
Banks	3,055	3,112	57	1.9%
Foreign	**26,711**	**28,934**	**2,223**	**8.3%**
Government	293	196	-97	-33.1%
Customer	18,701	19,846	1,144	6.1%
Banks	7,717	8,892	1,176	15.2%

Source: General License banks.

(**Graph 6**) shows the evolution of domestic deposit balances over time, reflecting key trends and depositor behavior patterns. The base of individual deposits not only underscores confidence in the National Banking System (NBS) but also plays a crucial role in the system's liquidity. A broad and stable deposit base allows banks to more efficiently manage their short-term obligations and facilitate long-term investments.

With greater stability in deposits, financial institutions can better plan their growth and expansion strategies while offering more attractive and diversified financial products to their clients. It is essential to highlight that local deposits represent around 70% of the total in the National Banking System (NBS). This high proportion of domestic deposits underscores the confidence of local residents in the national banking system and their willingness to keep their savings and financial resources within the country. This confidence is a positive indicator of the public's perception of the NBS's strength and stability.

Graph 6: Total Domestic Deposits
November 2020 – November 2024



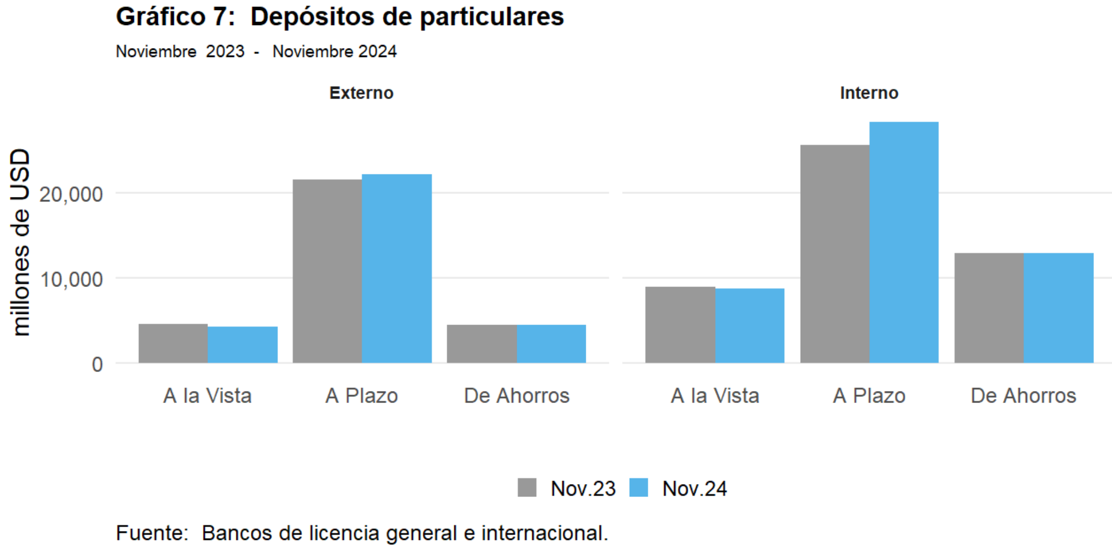
Source: General license banks.

In line with previous reports, the term deposit structure continues to lead the dynamism within Panama's banking system, consolidating itself as a key funding pillar. As of November 2024, domestic term deposits grew by 10.28%, reaching USD 28.3718 billion, while external term deposits saw a more moderate increase of 2.75%, amounting to USD 22.1944 billion. This trend reflects a marked preference for higher-yield instruments in the domestic market. However, a potential interest rate hike by the Federal Reserve could slow this growth, redirecting flows toward more liquid products, which may pose challenges for deposit acquisition and funding diversification.

In contrast, demand deposits showed declines in both segments. Domestic deposits decreased by 2.18%, totaling USD 8.8006 billion, while external deposits experienced a sharper contraction of 7.68%, reaching USD 4.2153 billion. This trend likely reflects adjustments in the funding strategies of international depositors, possibly in favor of more profitable instruments or the repatriation of capital.

Meanwhile, savings deposits exhibited more stable performance. Domestic savings increased marginally by 0.31%, while external savings decreased by 0.79%, totaling USD 12.9781 billion and USD 4.4773 billion, respectively. This contrast suggests greater stability in the local segment compared to the volatility observed in external flows.

Graph 7: Customer Deposits
November 2023 – November 2024



Source: General and International license banks.

Overall, Panama's banking system continues to benefit from depositor confidence, supported by a diversified funding base. However, the reduced dynamism of external deposits highlights the need to monitor international capital flows and adjust strategies in the face of a potential lower interest rate environment, thereby ensuring the system's stability and competitiveness.

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