



Economic and Banking Performance in May 2009



The Executive Report of the Superintendency of Banks of Panama (SBP) reveals that the Banking Center's assets underwent a \$1.2 billion decrease as of the May 2009 closing, registering a total of \$63.08 billion, essentially as a result of the conclusion of the process wherein *Primer Banco del Istmo* was absorbed by HSBC.

This process involved adjustments and cancellations, posted mainly in the Equity and Investments accounts. Additionally, interbank placements were canceled between members of their Banking Group.

Likewise, we observed declines in the interbank placements of some foreign banks, reflecting the maturity, during the period, of obligations acquired with banks and financial entities.

The report highlights that the banking market maintains stable foundations characterized by a high liquid asset index (Legal Liquidity is 67%), which shows a relevant primary liquidity percentage in cash and interbank deposits.

The domestic loan portfolio is consistent with the local economic context, with a moderate but important growth of 8.9% with respect to May 2008.

Furthermore, the domestic loan portfolio remains healthy (non-performing loans are 1.3%), accompanied with more conservative credit management processes and good coverage of provisions on total portfolio (1.65%).

The local acquisitions show a slowdown in local deposits due to the domestic economic environment; notwithstanding, there was an 8.1% yearly expansion in May.

The economic cycle in the first semester of the year portrays a slowing down trend, especially due to the impact of the evolution of goods and services exports and foreign private investments.

The interim construction credit maintains a payment rhythm consistent with the volume of projects that are in the development phase. We did not observe a strong growth caused by new projects; the latter have a high pre-sale level.

Projects aimed at the local buyer market generate more opportunities to maintain the mortgage financing level with a favorable rhythm.

For more information on the banking center's results, visit our website www.superbancos.gob.pa Node: General Information, Economy and Statistics / Statistics / Statistical Reports / Statistical Reports / Year 2009.