

EXECUTIVE REPORT: DECEMBER 2010

Recent Economic Performance

- It is estimated that the economy ended 2010 with a growth of about 7%, highlighting a clear recovery and showing that the crisis has been overcome. This puts us in good position to maintain a similar growth in 2011.
- The 2010 growth was based on transportation and telecommunications, trade, tourism and the increase of domestic demand due to high levels of employment and the recovery of world trade. Moreover, the good performance of the International Banking Center, which maintains its upward trend, injects strong cash flow to the sectors that support the economic recovery.

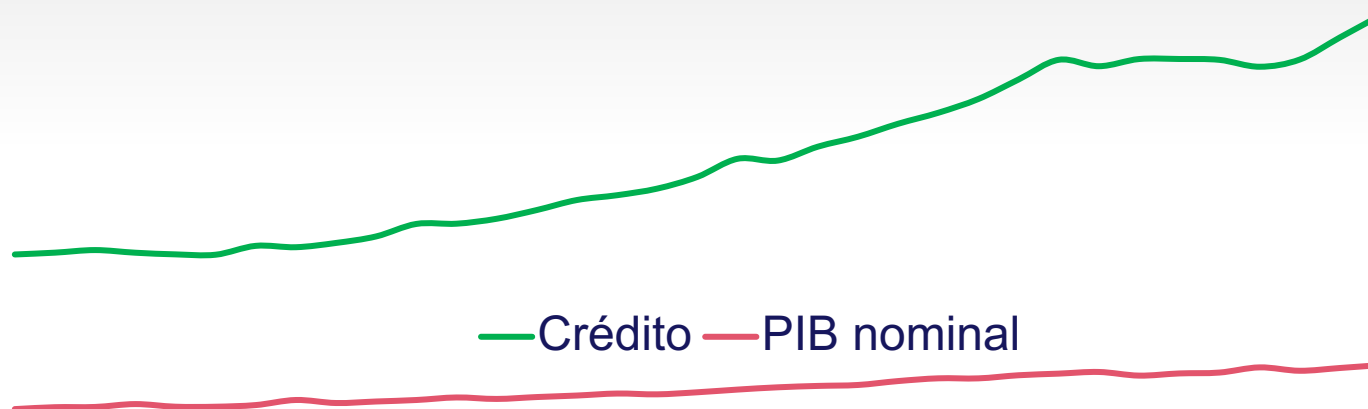
Recent Economic Performance

- The domestic credit of the Panamanian Banking System continued supporting the growth of the GDP in 2010, which is evident in the comparison shown by the behavior of both variables.
- The domestic credit to construction continues with an upward trend, therefore for 2011 this sector will have a significant share in the economy. The sub-sectors that have driven this behavior are infrastructure and other constructions.
- The domestic credit to tourism has been fundamental to the development of hotels and malls that are vital to the growth of this sector.

Nominal GDP and Quarterly Balance of Domestic Credit Years 2002 – 2010 (in million of U.S. Dollars)

Credit

GDP



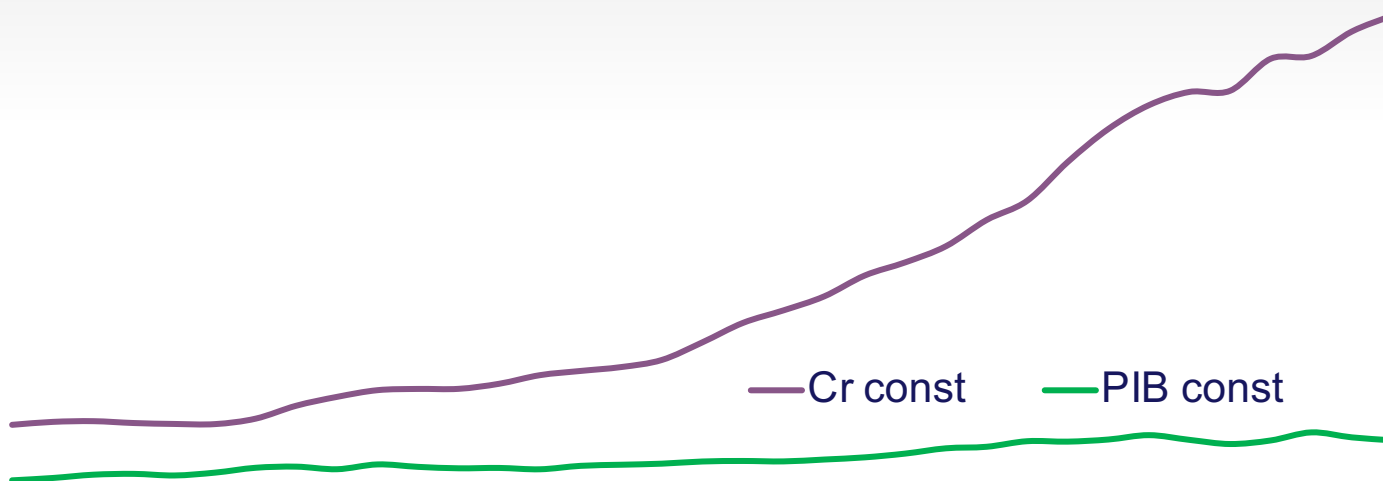
Nominal GDP of Construction and Quarterly Balance of Domestic Credit to Construction

Years 2002 – 2010

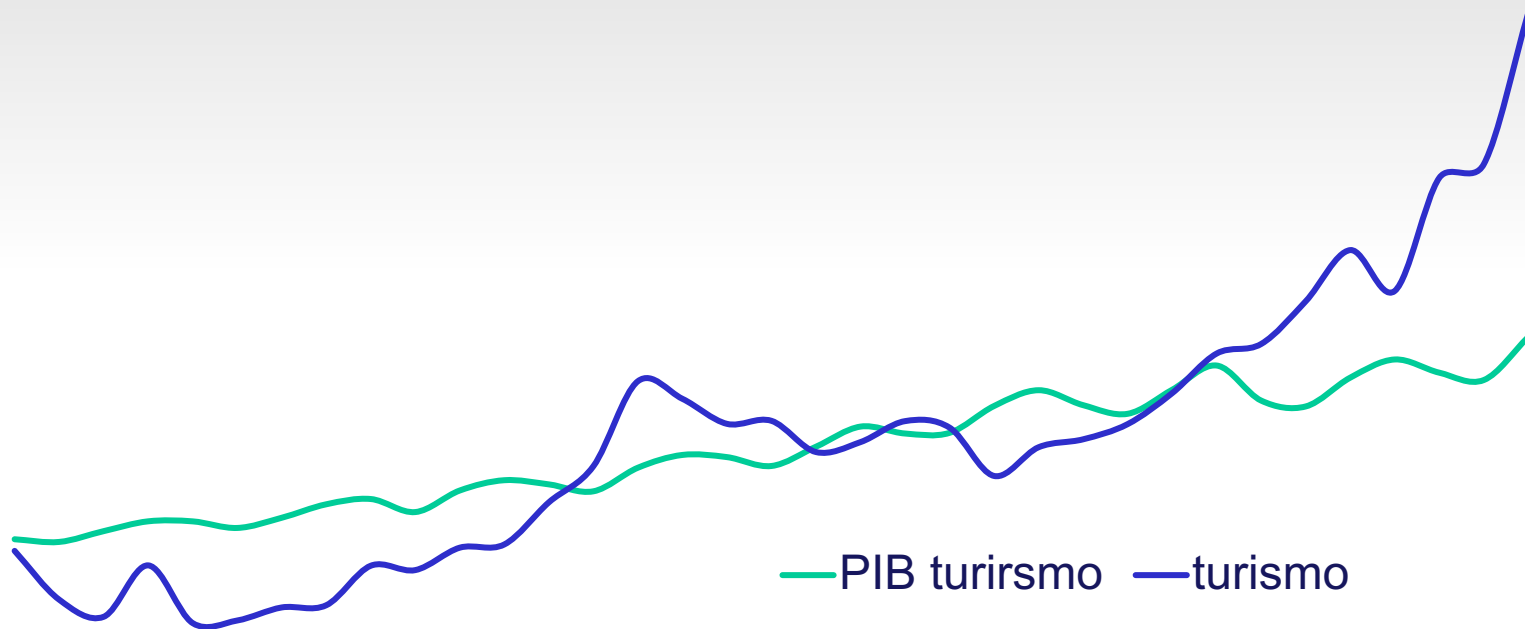
(in million of U.S. Dollars)

Crédito

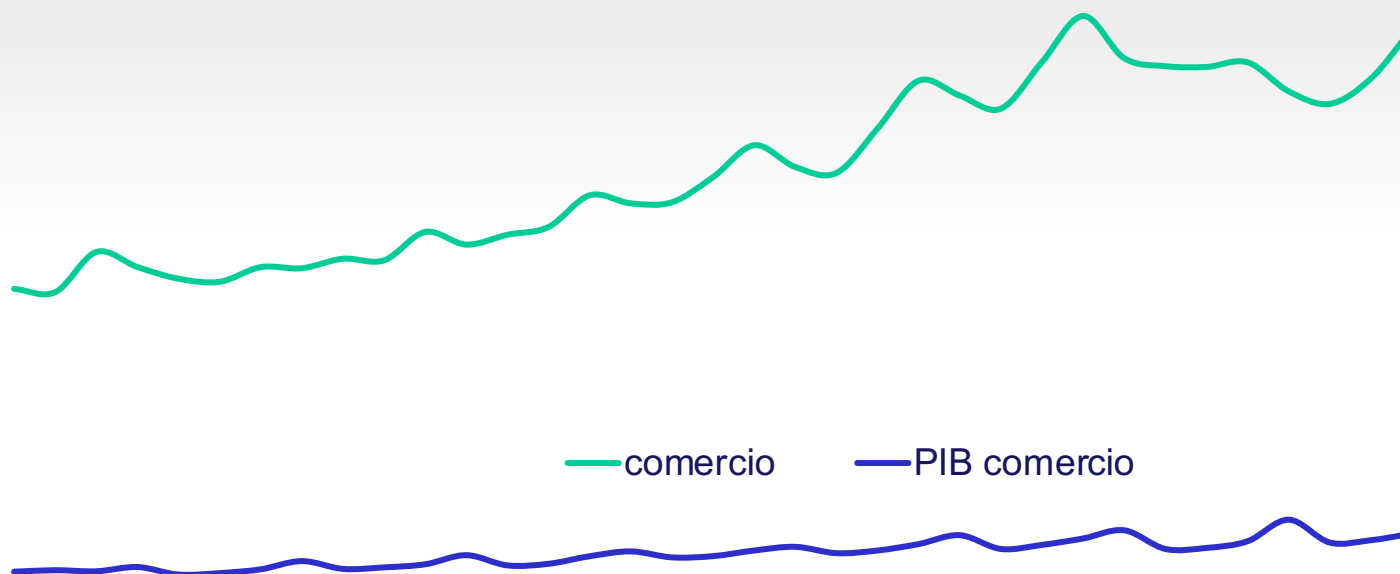
GDP



Nominal GDP of Tourism and Quarterly Balance of Domestic Credit to Tourism Years 2002 – 2010 (in million of U.S. Dollars)



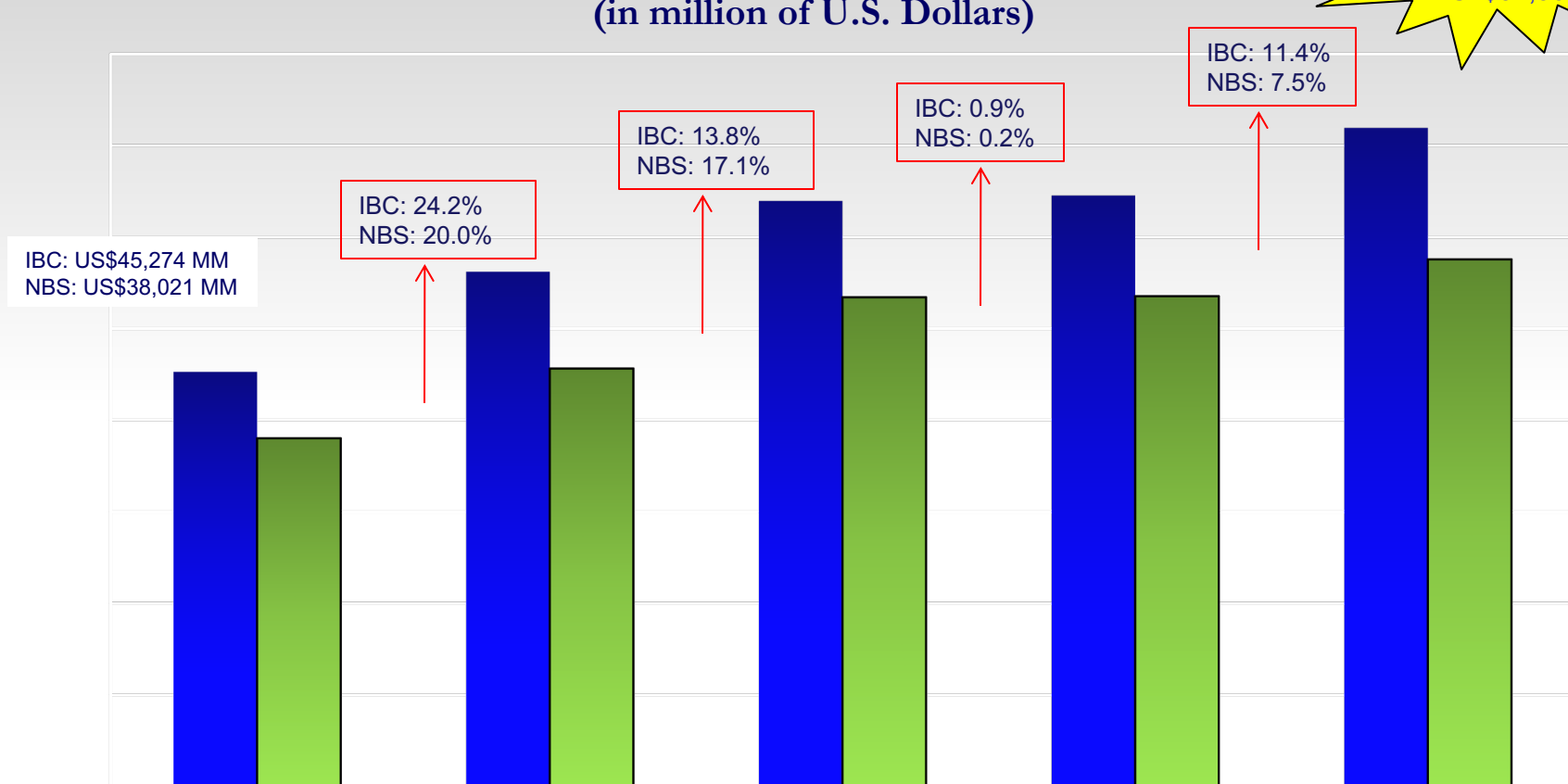
Nominal GDP of Corporate Loans and Quarterly Balance of Domestic Credit to Corporate Loans Years 2002 – 2010 (in million of U.S. Dollars)



Panama: Performance of the Banking Sector

- Banking Center's assets as of December 2010 stood at \$71,931 MM, while System's assets increased to \$57,566 MM. The performance shown by IBC's assets was driven by increments of credit portfolio (17.4%) and higher investment levels (12.0%).
- The January – December net profit totaled \$1,067 MM, growing 16.1% or \$148 MM more, compared to the same period of 2009. The increase of Center's profit was because the upturn of operating income, currency operations, and fees.
- As of the closure of 2010, profitability indicators show positive results. The January – December profit generated a ROAA of 1.57%, higher than 1.41% registered in December 2009; while ROE stood at 13.90%, higher than 11.99% recorded in December 2009.

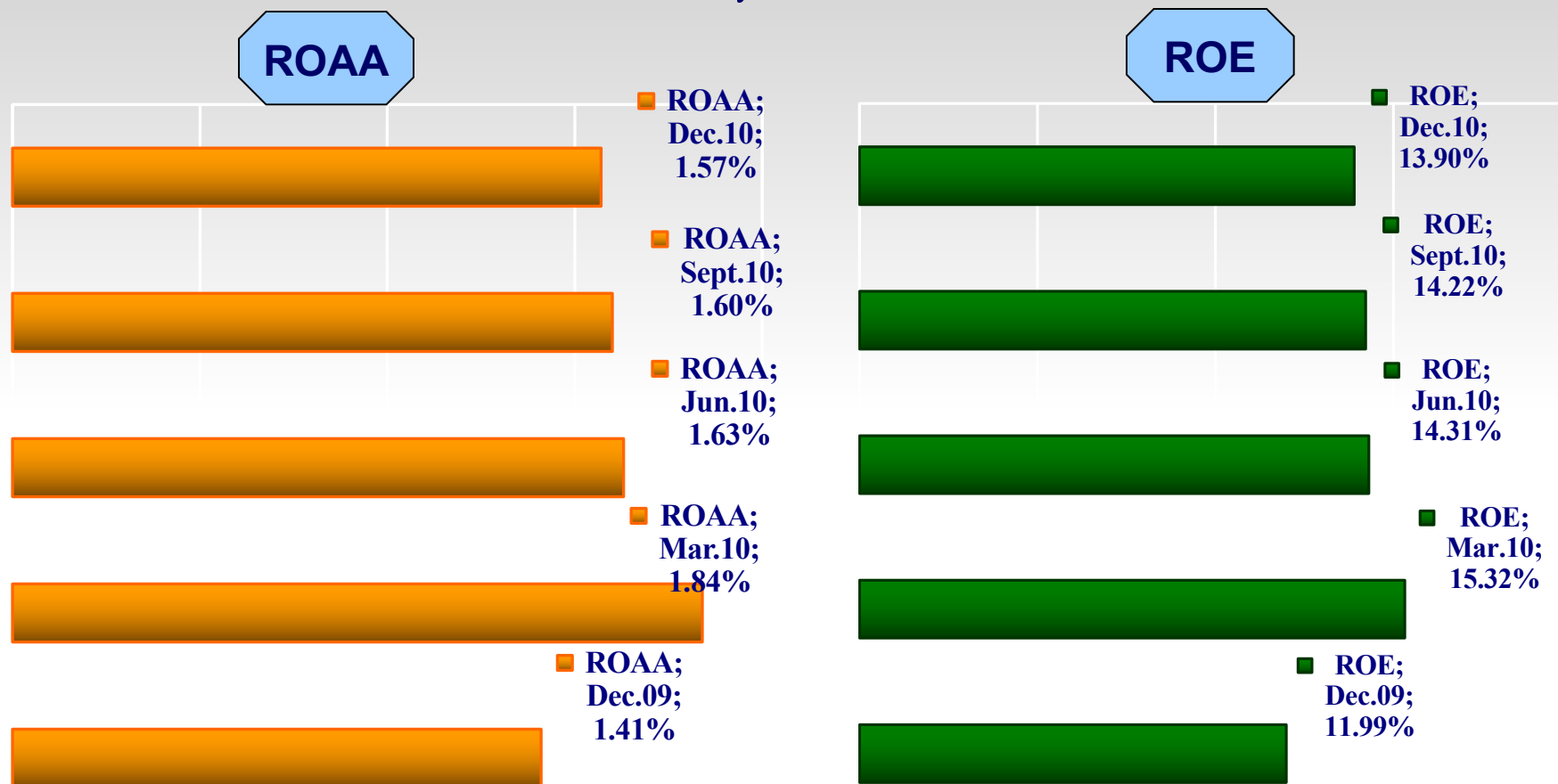
Panama: International Banking Center
Total Center's and System's Assets: Dec. 06-Dec. 10
 (in million of U.S. Dollars)



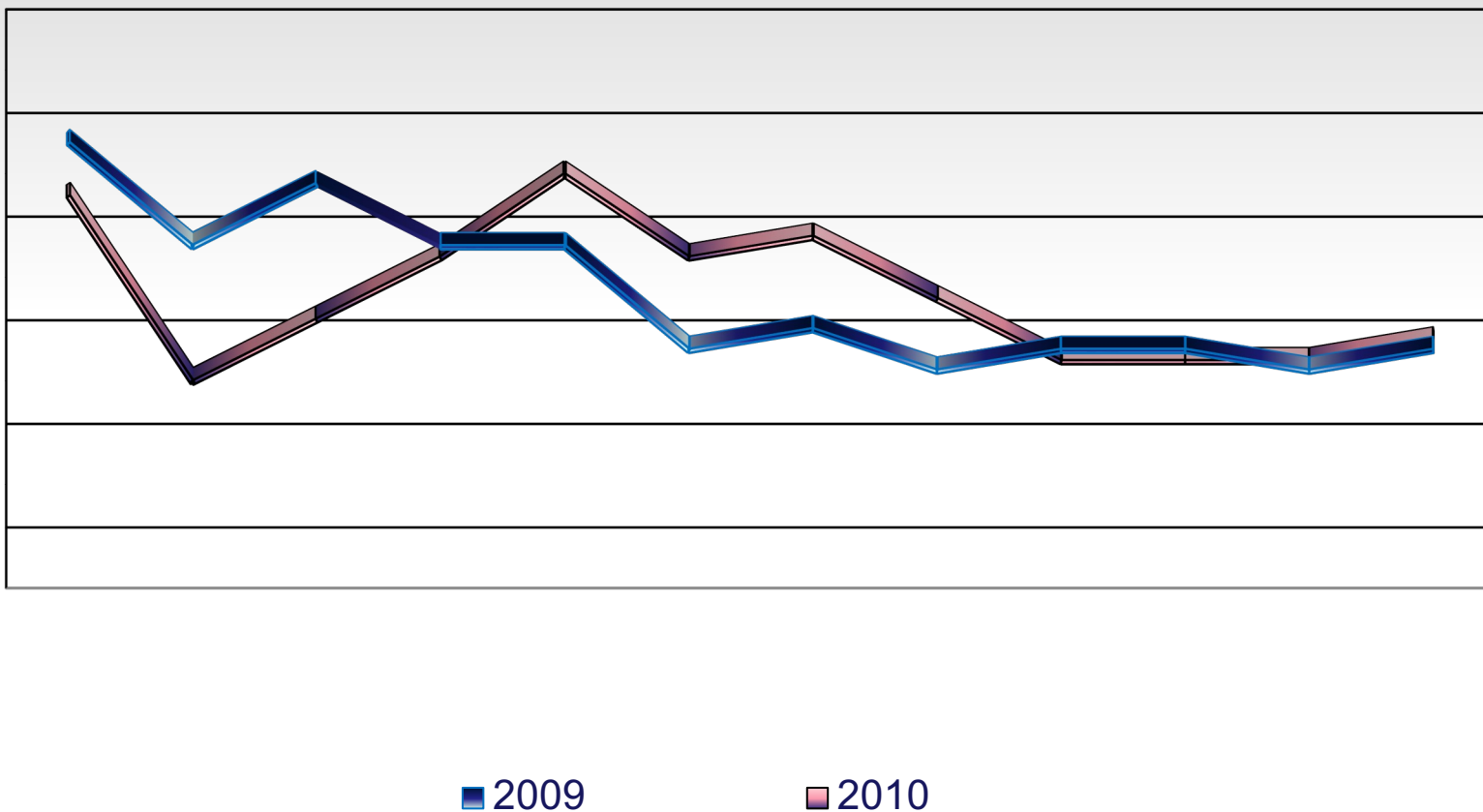
Panama: International Banking Center Income Statement (in million of U.S. Dollars)

ACCOUNTS	Jan.-Dec. 09	Jan.-Dec. 10	Total Var. Jan.-Dec. 09/10	12-Month Var. %
Interest Income	3,055	3,089	34	1.1%
Operating Expenditure	1,702	1,665	-37	-2.2%
Net Interest Income	1,352	1,423	71	5.3%
Other Income	1,139	1,353	214	18.8%
Operating Income	2,491	2,777	286	11.5%
General Expenses	1,343	1,515	172	12.8%
Profit before provisions	1,148	1,261	113	9.8%
Bad Debt	229	193	-36	-15.7%
Profit for the period	919	1,067	148	16.1%

Panama: International Banking Center Profitability Indicators



Panama: International Banking Center Net Interest Margin 2009-2010, per month



Positive Credit Revival: Sustained Performance

Panama: Performance of the Domestic Credit

- As of December 2010, the domestic credit shows a very positive behavior with strong signs of recovery in the performance that had been observed for the period from December 08 to December 09.
- Domestic credit to private sector stood at \$24,337 MM, increasing 13.3% compared to the same period of 2009. This performance was sustained by the positive behavior of the following sectors: industry (31.9%), corporate (22.7%), construction (12.7%), mortgage (9.8%), and consumer (8.7%).
- Domestic credit portfolio to private sector to December 2010 is stable if compared to the same period of 2009. This portfolio consists of: mortgage (28%), corporate (27%), consumer (21%), construction (10%), industry (6%), financial and insurance companies (3%), stockbreeding (2), and other sectors (3%).

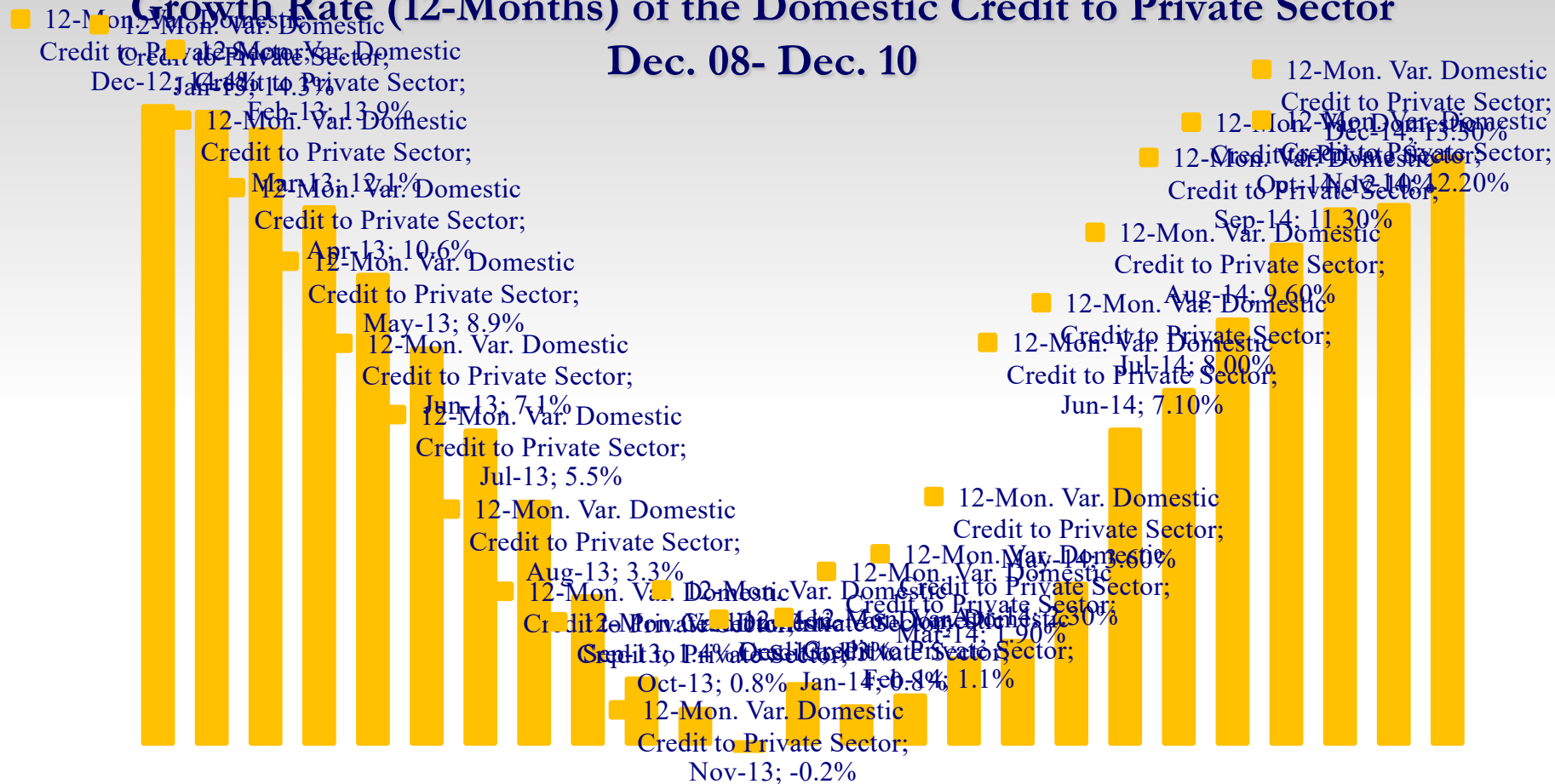
Panama: Performance of the Domestic Credit

- New loans disbursed between the January – December 2010 period stood at \$17,183 MM registering a 13.9% growth (\$2,098 MM) if compared to the same period of 2009. Similarly, new loans disbursed in December 2010 totaled \$1,882 MM, growing 52.7% or \$649 MM more than December 2009.
- New loans between January – December 2010 were allocated, primarily, to the following sectors: corporate (\$1860 MM), consumer (\$194 MM), financial companies (\$119 MM), mortgage (\$80 MM), and agriculture (\$56 MM).
- To December 2010, the sectors with greater level of allocations were: corporate (\$545 MM), consumer (\$33 MM), financial companies (\$29 MM), industry (\$19 MM), agriculture (\$16 MM), among others.

Panama: National Banking System

Growth Rate (12-Months) of the Domestic Credit to Private Sector

Dec. 08- Dec. 10



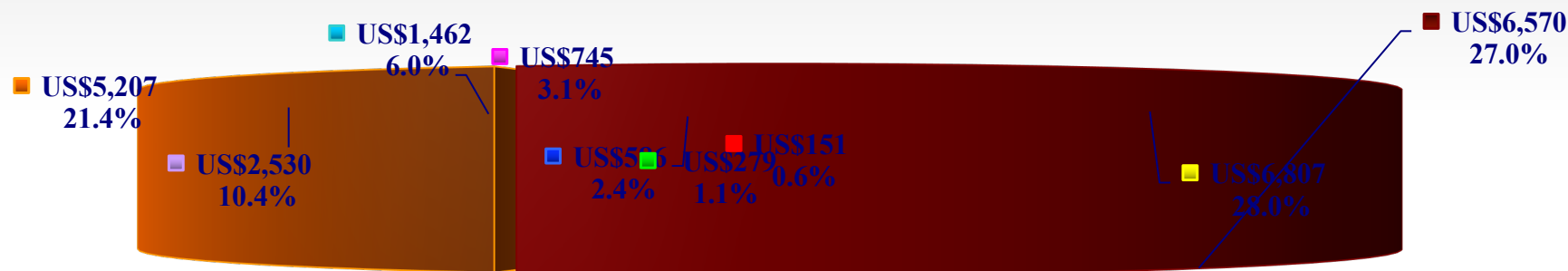
■ Dec-12 ■ Jan-13 ■ Feb-13 ■ Mar-13 ■ Apr-13
 ■ May-13 ■ Jun-13 ■ Jul-13 ■ Aug-13 ■ Sep-13

Panama: National Banking System Domestic Credit: December 2009-2010 (in million of U.S. Dollars)

Sectors and Activities	Dec. 2009	Dec. 2010	Var. Dec. 10/ Dic. 09	
			Total	%
TOTAL	21,826	24,720	2,894	13.3%
Public Sector	348	383	35	10.0%
Private Sector	21,478	24,337	2,859	13.3%
Financial and Insurance Cos.	902	744	-158	-17.5%
Agriculture	227	279	52	22.7%
Stockbreeding	520	586	66	12.6%
Fishing	36	53	17	45.2%
Mining and Quarrying	22	23	1	3.1%
Corporate	5,354	6,570	1,216	22.7%
Industry	1,108	1,461	353	31.9%
Mortgage	6,199	6,806	607	9.8%
Construction	2,244	2,530	286	12.7%
Microcredit	75	74	-1	-2.0%
Consumer	4,789	5,206	417	8.7%

Panama: National Banking System Portfolio of Domestic Credit to Private Sector: December 2010 (in million of U.S. Dollars)

US\$24,337 MM



■ Mortgage
■ Construction
■ Stockbreeding

■ Corporate
■ Industry
■ Agriculture

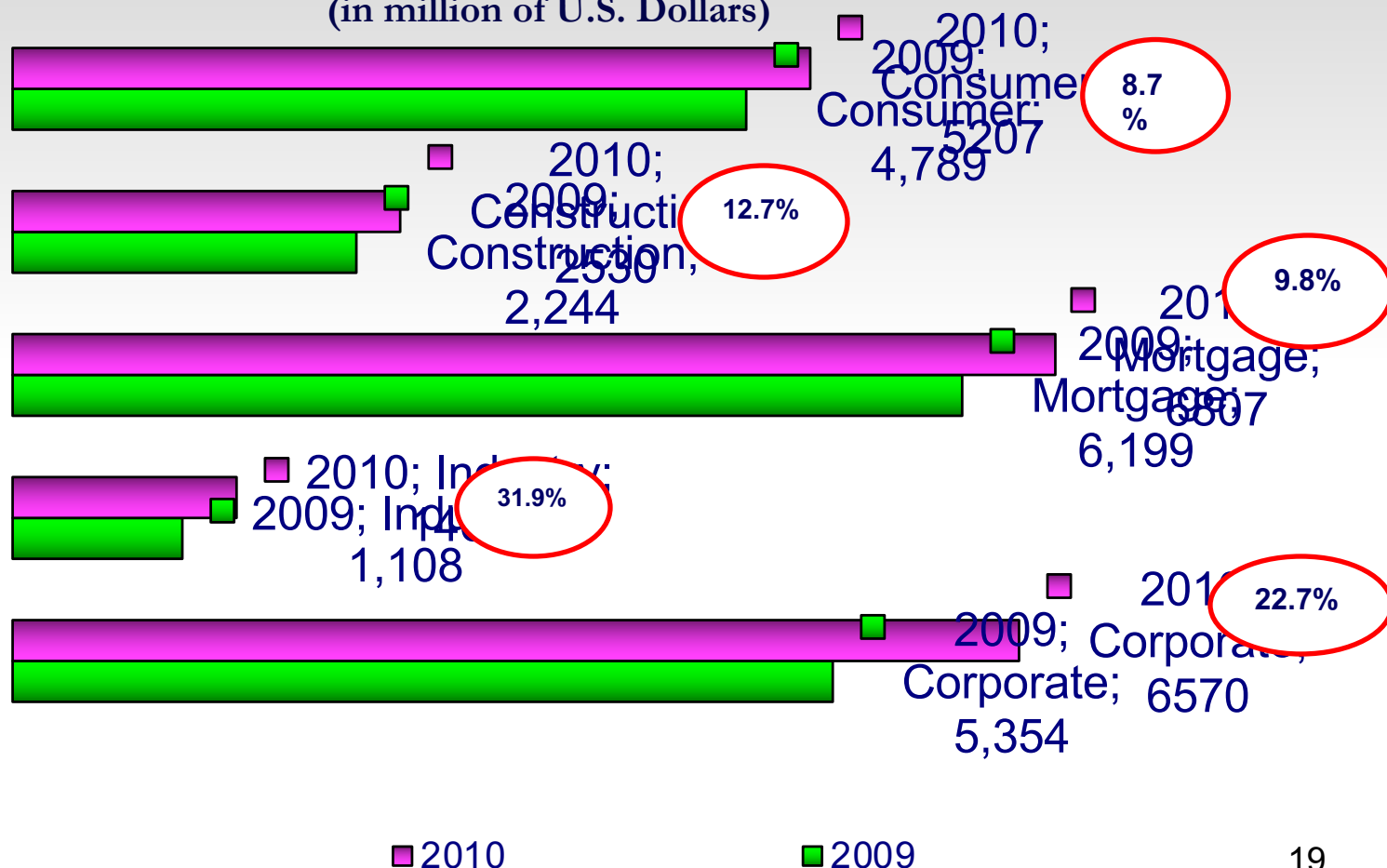
■ Consumer
■ Financial & Insurance Cos.
■ Other Sectors

Panama: National Banking System

12-Month Variation and Balance of Balance of Domestic Credit to Private Sector

High-performance Sectors

(in million of U.S. Dollars)



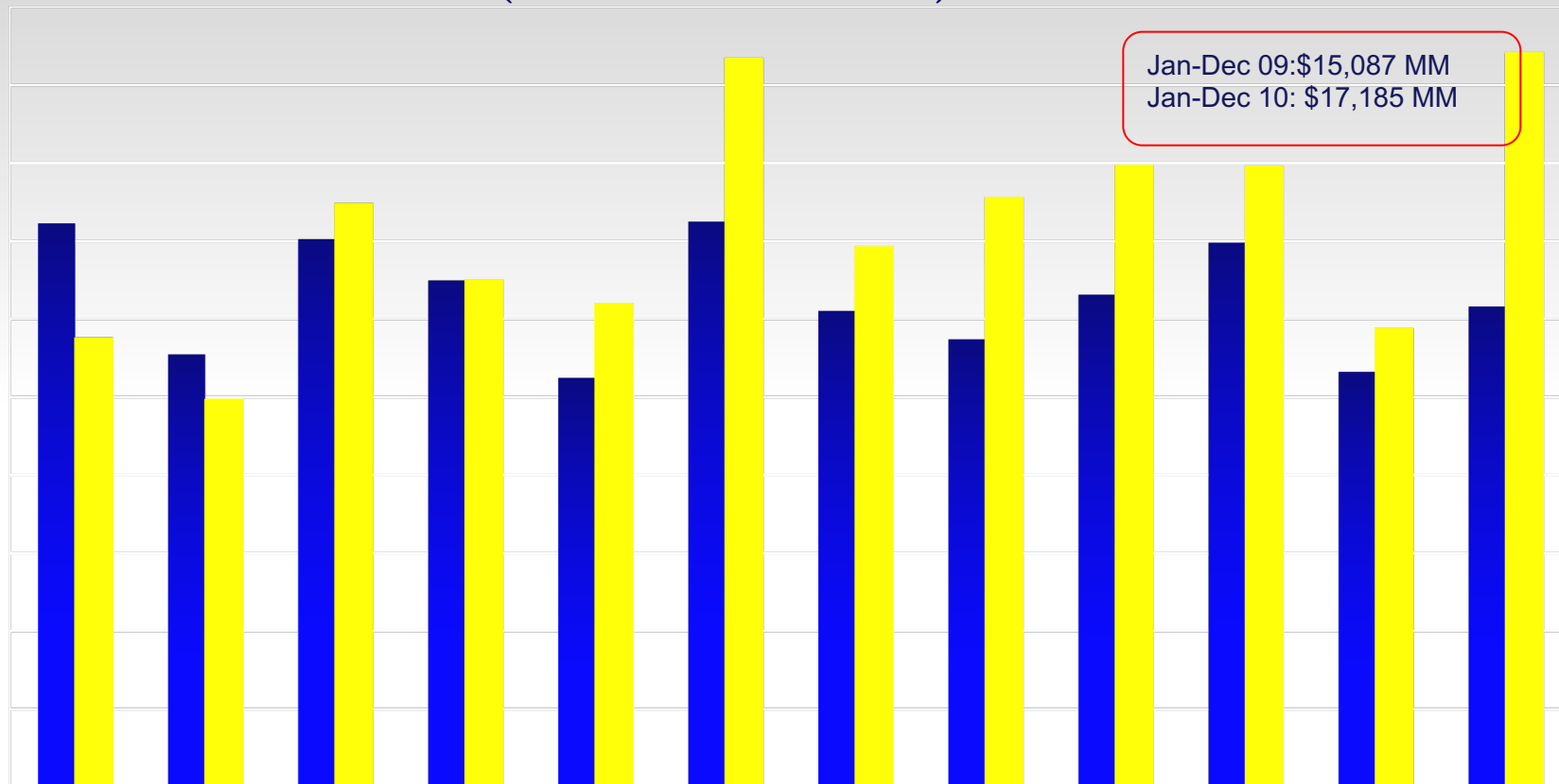
Panama: National Banking System

New Loans: 2009 -2010

(in million of U.S. Dollars)

Sectors and Activities	Jan.-Dec.	Jan.-Dec.	Var. Jan.-Dec. 09/10	
	2009	2010	Total	%
Public Entities	20	47	27	133.7%
Financial Companies	669	788	119	17.8%
Agriculture	178	234	56	31.5%
Stockbreeding	289	335	45	15.7%
Fishing	50	101	50	99.9%
Mining and Quarrying	32	9	-23	-71.3%
Corporate	8,093	9,954	1,860	23.0%
Industry	1,637	1,514	-123	-7.5%
Mortgage	1,204	1,284	80	6.6%
Construction	1,604	1,416	-188	-11.7%
Consumer	1,307	1,501	194	14.9%
Total	15,085	17,183	2,098	13.9%

Panama: National Banking System Accumulate Flow of New Loans 2009-2010, per month (in million of U.S. Dollars)



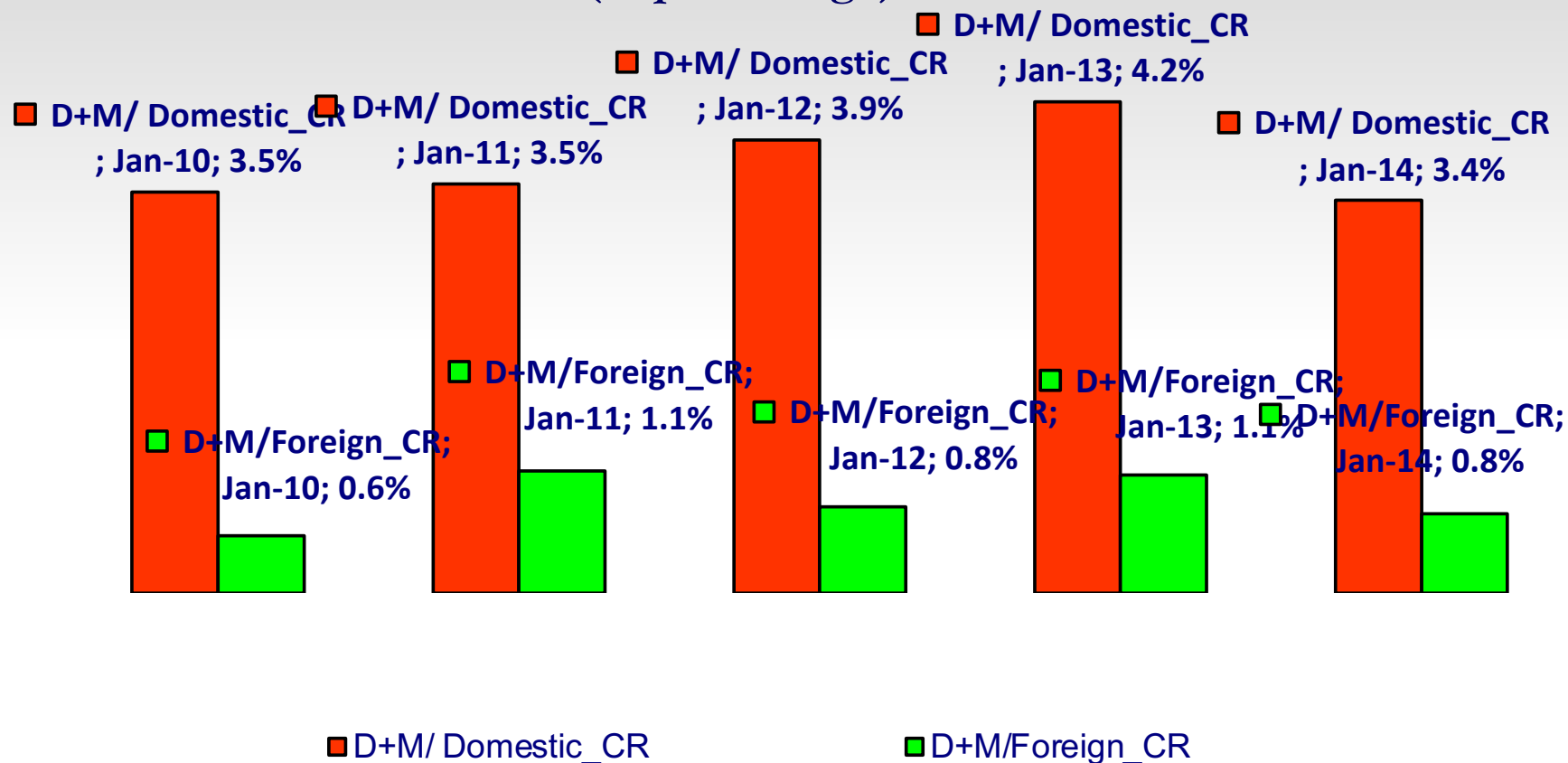
Health of the Domestic and Foreign Credit Portfolio

Panama: Quality of Domestic and Foreign Portfolio

- Quality indicators show a very healthy credit portfolio when noticing significant declines in the rate of growth of delinquent and matured portfolios. These results reflect the use of best banking practices by the banking community when granting credit.
- It was noticed a decrease of domestic credit portfolio delinquency, which stood at 3.40%. This index is well below 3.9% registered in December 2008 and to 4.20% recorded at December 2009. For the foreign portfolio, this indicator is at 0.80%, lower than 1.1% recorded in December 2009.
- Delinquent and matured domestic loans show some fluctuations during their evolution. State-owned banking registered drops in matured loans while delinquent loans show a slight increase. For the Panamanian banking, there were slight increases in delinquent balances and significant drops in matured balances; while for Foreign banking both delinquent and matured portfolios have significant decreases.
- Regarding foreign portfolio, the private banking quality indicators are encouraging, showing reductions in the outstanding balance, while the delinquent balance barely shows growth.

Panama: National Banking System Quality of Total Credit Portfolio

(in percentage)



Panama: National Banking System Quality of Domestic Portfolio (in million of U.S. Dollars)

State-owned Banking	2008/Dec	2009/Dec	2010/Jun	2010/Dec
VALID	2,983	2,964	3,218	3,417
DELINQUENT	44	81	43	45
MATURED	112	42	84	67
Total	3,140	3,086	3,345	3,529

Panamanian Private Banking	2008/Dec	2009/Dec	2010/Jun	2010/Dec
VALID	8,565	9,152	10,074	10,738
DELINQUENT	183	82	196	194
MATURED	98	186	93	80
Total	8,846	9,421	10,363	11,011

Foreign Private Banking	2008/Dec	2009/Dec	2010/Jun	2010/Dec
VALID	9,455	8,790	9,287	9,728
DELINQUENT	149	319	261	291
MATURED	265	210	194	161
Total	9,869	9,319	9,741	10,180

Panama: National Banking System Quality of Foreign Credit (in million of U.S. Dollars)

Panamanian Private Banking	2009/Jul	2009/Dec	2010/Jun	2010/Dec
VALID	1,336	1,067	804	791
DELINQUENT	7	4	4	2
MATURED	4	10	10	9
Category	1,347	1,081	818	802

Foreign Private Banking	2009/Jul	2009/Dec	2010/Jun	2010/Dec
VALID	7,509	7,692	7,388	8,719
DELINQUENT	36	36	16	15
MATURED	27	47	49	47
Category	7,572	7,775	7,452	8,781

**Solid Source of Funding of the System
from both Domestic and Foreign
Banking**

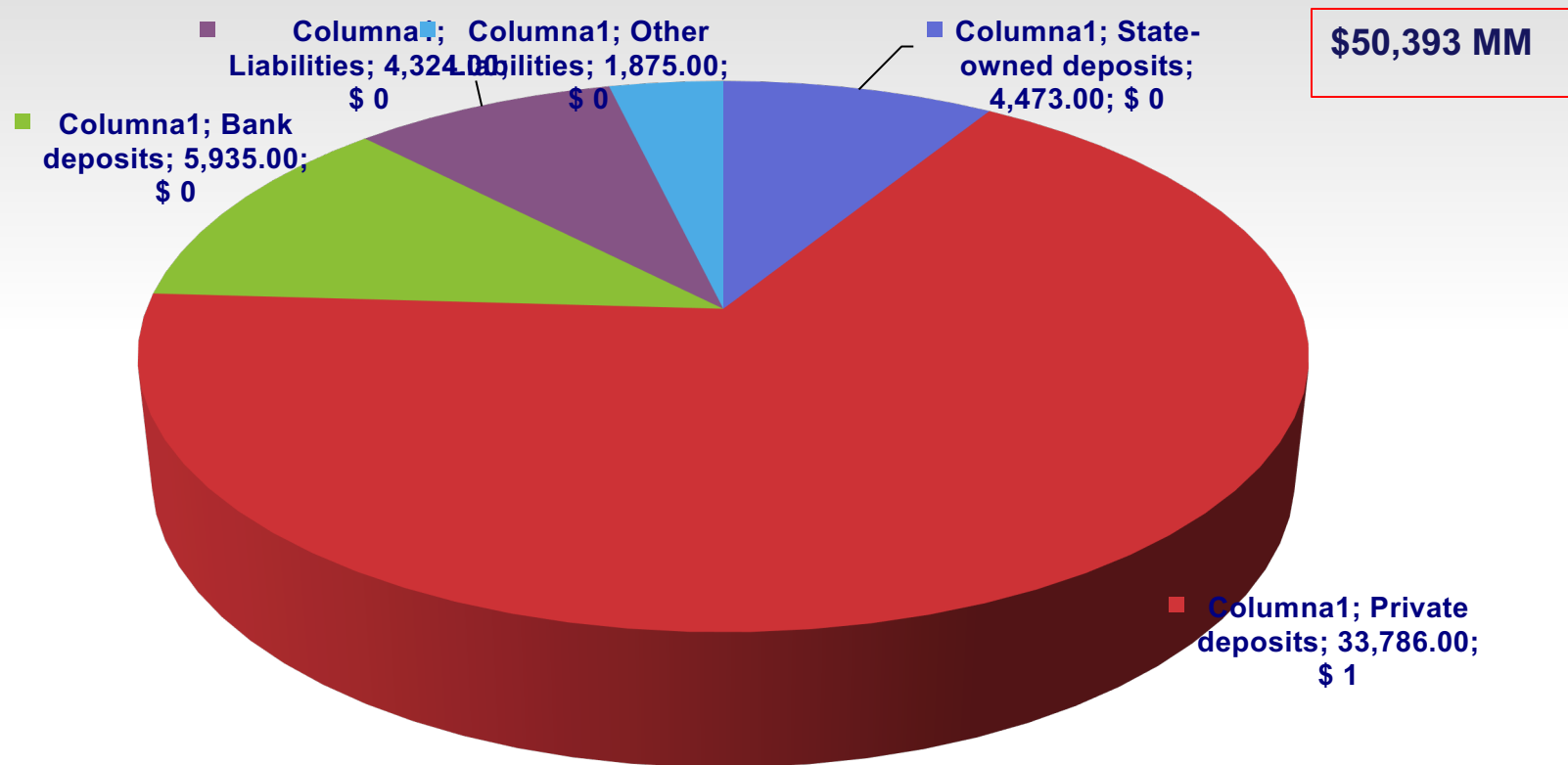
Panama: Performance of the Banking Sector

- To December 2010 the total liabilities amounted \$50,393 MM, growing 11.0% or \$6,351 MM more than 2009. Liabilities portfolio is as follows: deposits (80.6%), liabilities (16.1%), other liabilities (3.3%)
- To December 2010, the System's total deposits amounted \$44,195 MM, which grew 5.5% when compared to the same period of 2009. The largest proportion of deposits is concentrated in private deposits (77.3%), followed by bank deposits (12.6%), and stated-owned banks (10.1%).
- Public deposits – main source of funding of the System – are stable without changes in its composition and thus have faced the limitations of funding from international capitals.
- Due to its importance, private deposits are divided into: time deposits (44.3%), savings accounts deposits (18.0%), and demand deposits (15.0%).

Panama: Performance of the Banking Sector

- Domestic private deposits stood at \$24,322 MM, growing 10.6% compared to the same period of 2009. It shows that the performance of December 2009 is lower if compared to the current period, situation that results in public confidence in the banks of the center.
- Foreign private deposits amounted \$9,836 MM experiencing a growth rate of 5.5% or \$509 MM more, if compared to the same period of 2009.

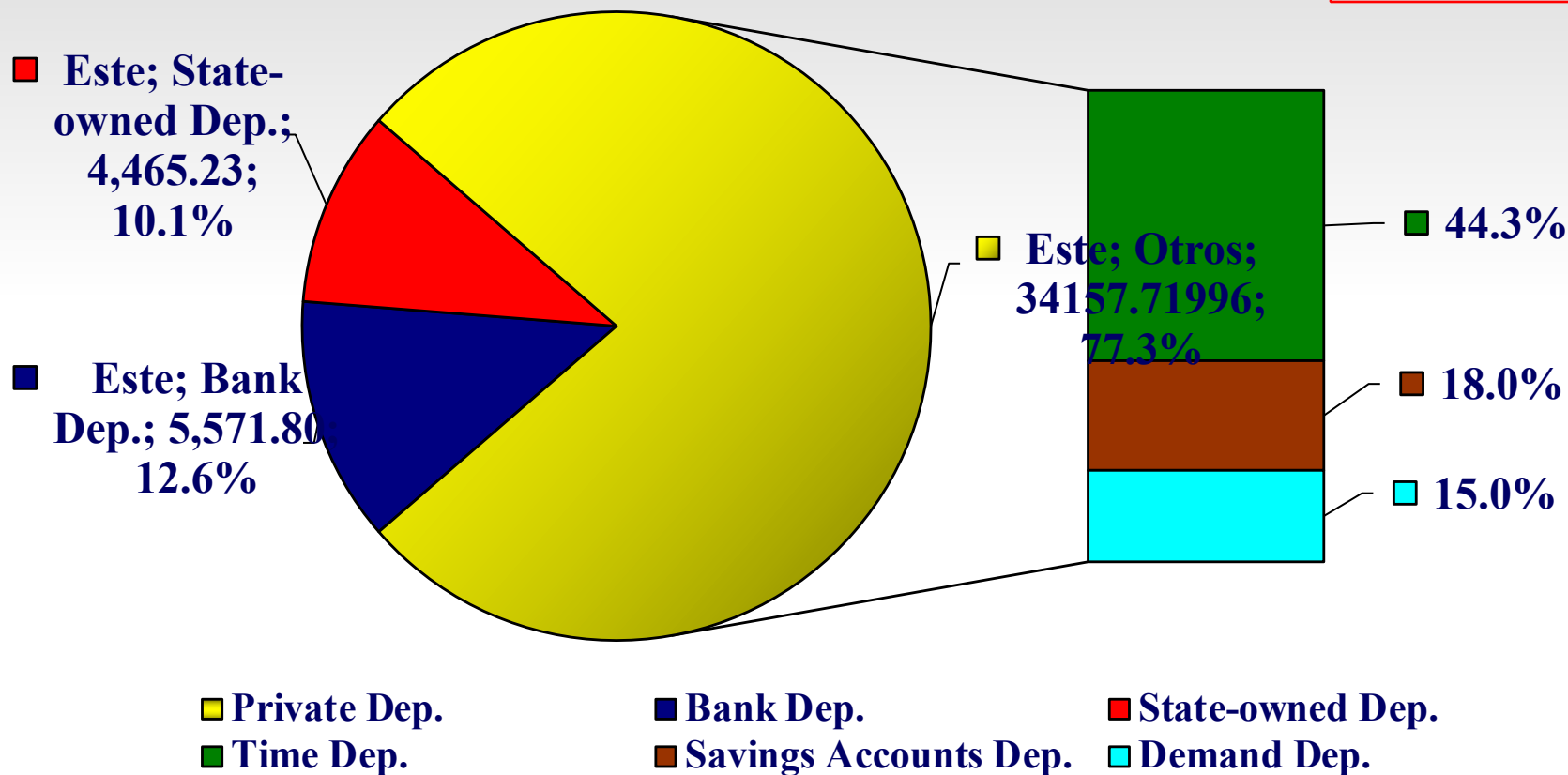
Panama: National Banking System Liabilities Portfolio: December 2010 (in million of U.S. Dollars)



■ State-owned deposits ■ Private deposits ■ Bank deposits ■ Liabilities ■ Other Liabilities

Panama: National Banking System Deposits Portfolio: December 2010

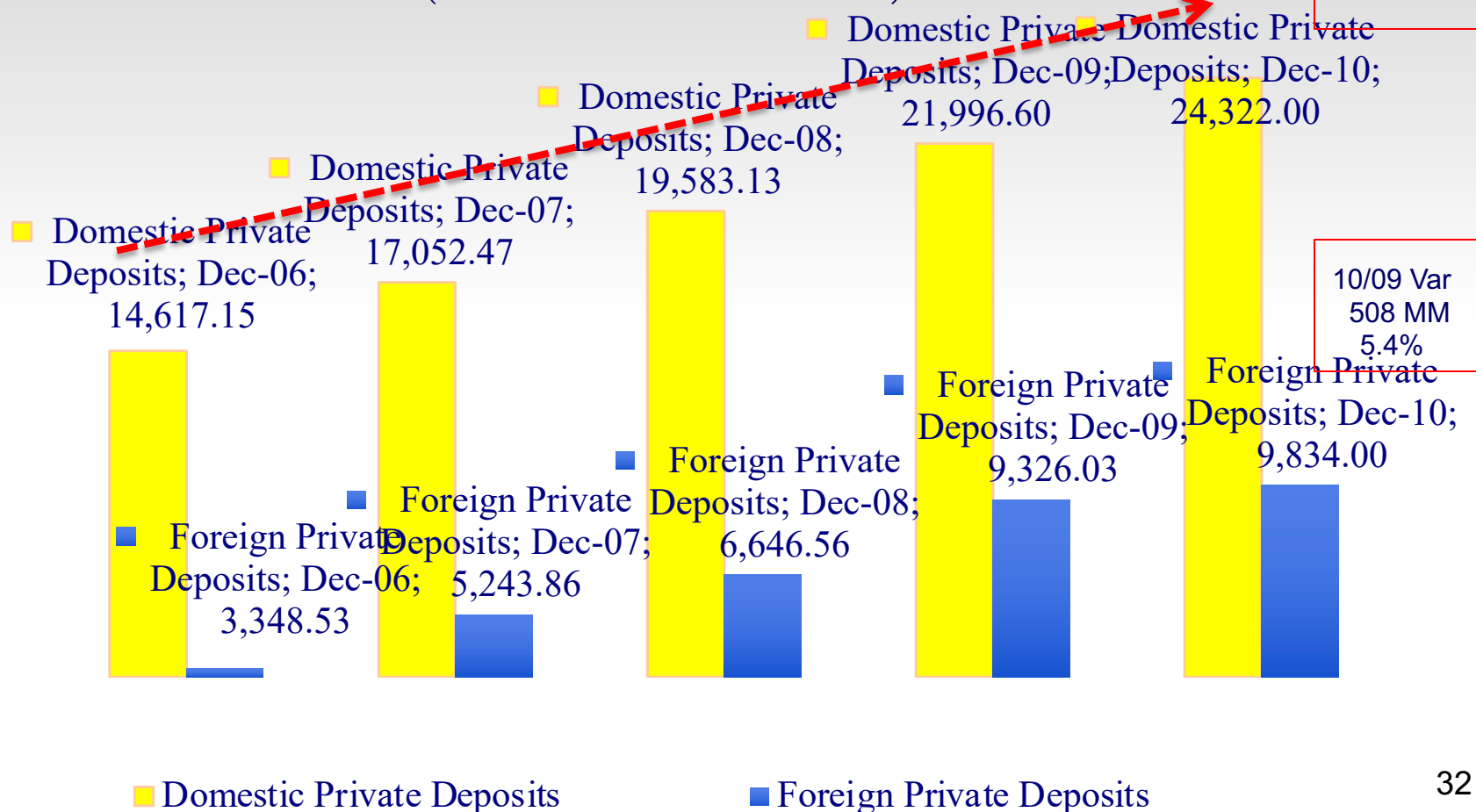
US\$44,195 MM



Panama: National Banking System

Private Deposits: 2006- 2010

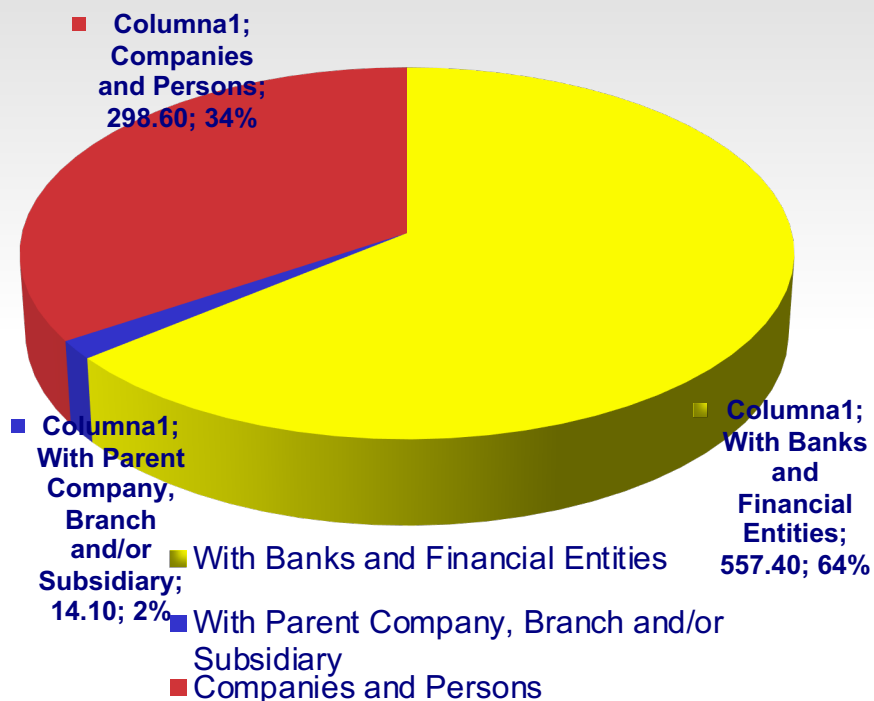
(in million of U.S. Dollars)



Panama: National Banking System Portfolio of Domestic Private Deposits

Portfolio of Domestic Private Deposits (in million of U.S. Dollars)					
Description	Dec.08	Dec.09	Dec.10	Var. Dec.10/08	Var. Dec.10/09
Demand					
Natural Person	503	688	661	31.4%	-3.9%
Juridical Person	3,235	3,624	4,471	38.2%	23.4%
Other Financial Institutions	36	91	98	169.3%	7.5%
Total	3,774	4,404	5,230	38.6%	18.8%
Time					
Natural Person	4,877	5,597	5,541	13.6%	-1.0%
Up to 186 days	2,373	2,809	2,329	-1.9%	-17.1%
From 187 to 365 days	1,335	1,562	1,505	12.8%	-3.6%
More than 365 days	1,169	1,226	1,707	46.0%	39.2%
Financial Juridical Person	137	325	282	106.2%	-13.0%
Up to 186 days	89	263	195	118.9%	-25.6%
From 187 to 365 days	9	33	37	333.3%	11.6%
More than 365 days	39	29	50	28.0%	73.0%
Non-Financial Juridical Person	6,444	6,708	7,347	14.0%	9.5%
Up to 186 days	4,076	3,805	3,951	-3.1%	3.8%
From 187 to 365 days	1,311	1,712	1,750	33.5%	2.3%
More than 365 days	1,058	1,191	1,645	55.6%	38.1%
Total	11,458	12,630	13,171	14.9%	4.3%
Current Savings					
Natural Person	3,013	3,374	3,868	28.4%	14.6%
Juridical Person	1,338	1,587	2,053	53.5%	29.4%
Total	4,351	4,961	5,921	36.1%	19.3%
Total Domestic Private Deposits	19,583	21,995	24,322	24.2%	10.6%

Panama: National Banking System Domestic Liabilities: December 2010



Liabilities with Banks and Financial Entities

Negotiable Documents	228,974,000
Current Bonds	134,299,181
Other Bonds	40,000,000
Repurchase	6,615,802
Bank Acceptances	120,218
Other Liabilities	147,404,836
TOTAL	557,414,048

Liquidity above the Statutory Liquidity Ratio

Panama: Performance of the Banking Sector

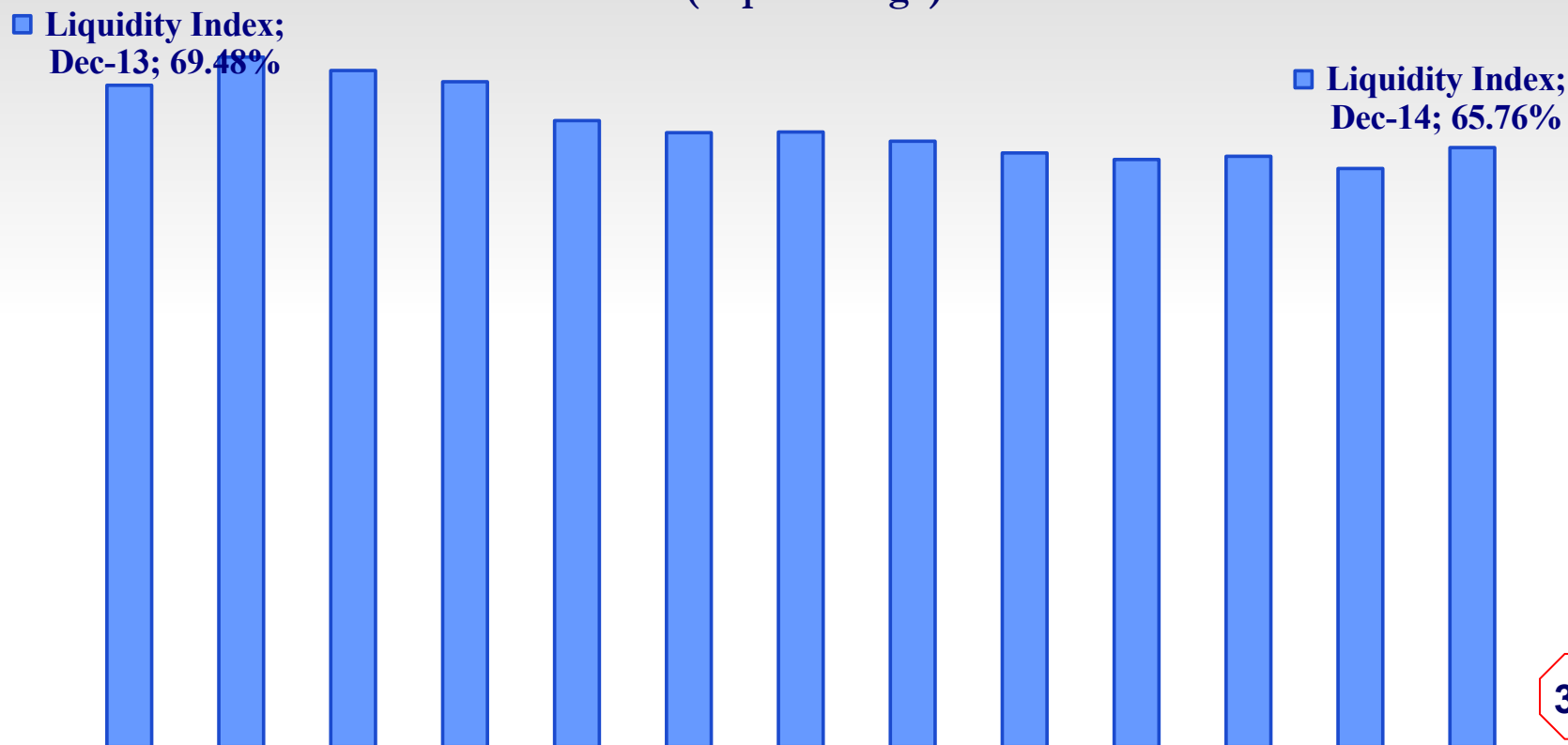
- The financial liquidity of the System presents solid and reliable levels when showing a highly liquid and diversified assets portfolio. The banking liquidity index stood at 69.48% higher than 30% established by the Panamanian banking law.
- It is worth mentioning that even though the behavior shown by the credit portfolio it does not show significant reduction in liquidity levels.

Panama: National Banking System

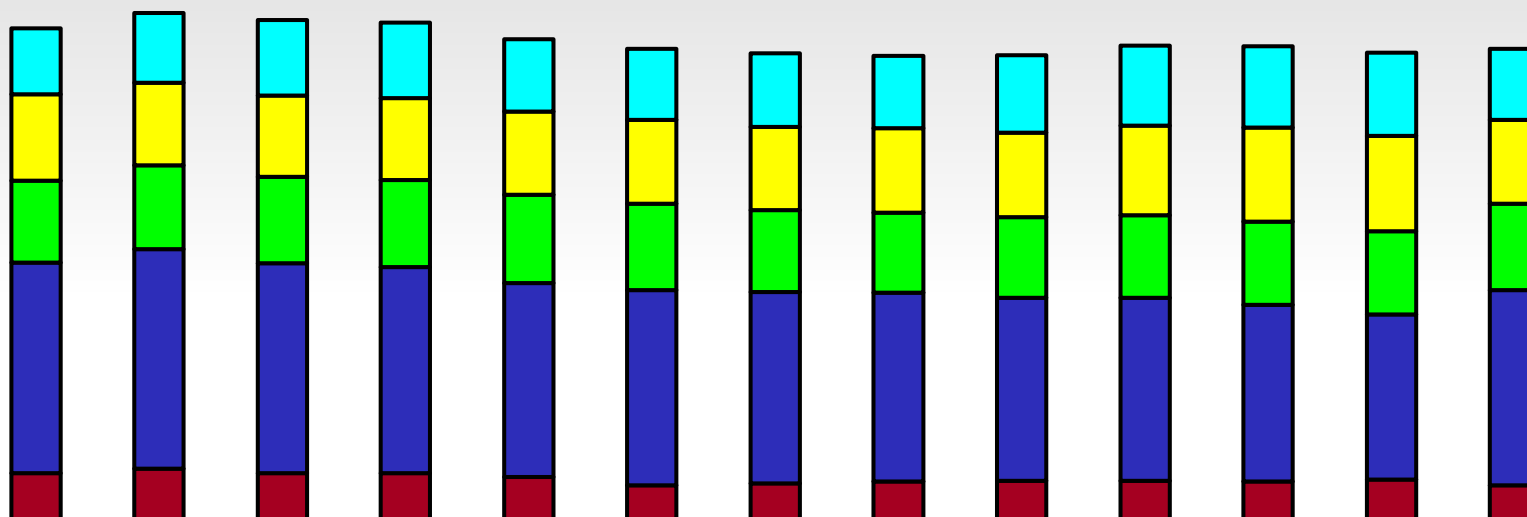
Average Legal Liquidity Index

Period: Dec. 09 - Dec. 10

(in percentage)



Panama: National Banking System Portfolio of Liquid Assets



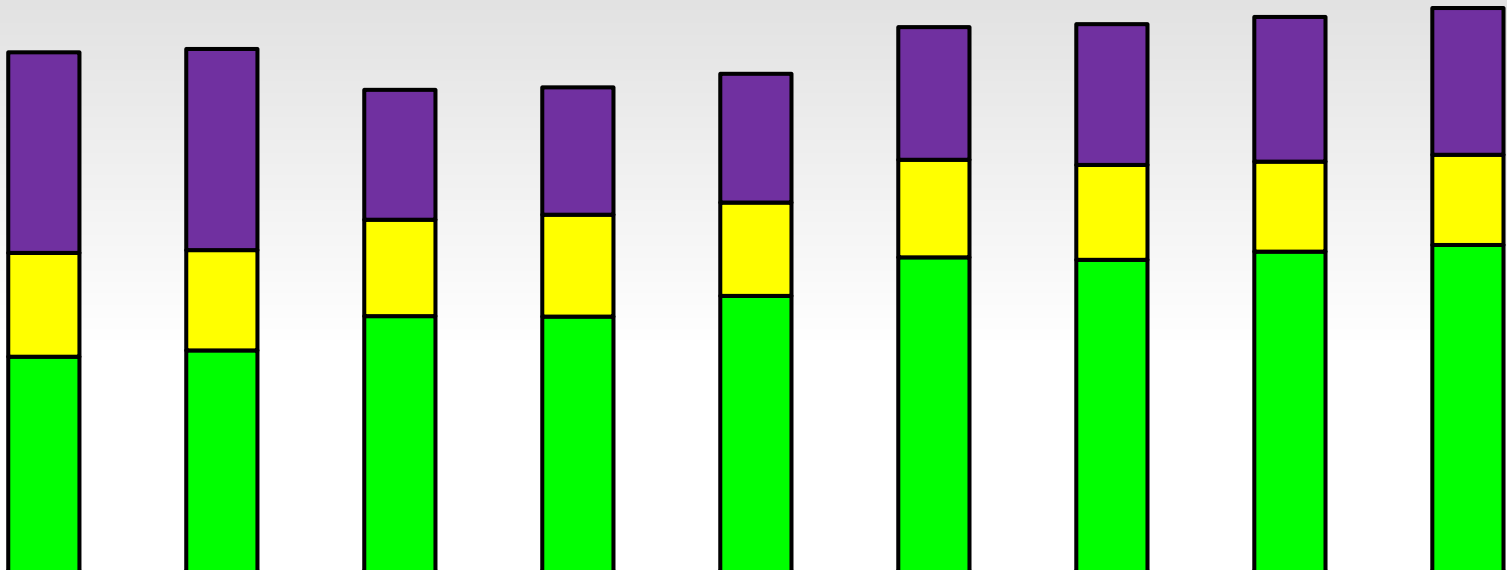
- Other Assets
- Flow of debenture down payments up to 186 days of loan portfolio
- Securities
- Bank Deposits Abroad
- Bank Deposits in Panama

Domestic and Foreign Investment Portfolio

Panama: Performance of the Banking Sector

- Center's total investment is of \$12,951 MM, growing 12.04% if compared to the same period of 2009. This performance was influenced by similar growth to both the domestic and foreign investment portfolio, i.e. 22.7% = \$647 MM and 8.5% = \$744 MM, respectively.
- To December 2010, the composition of the investment portfolio was pretty stable if compared to December 2009.

Panama: National Banking System Portfolio of Total Investment



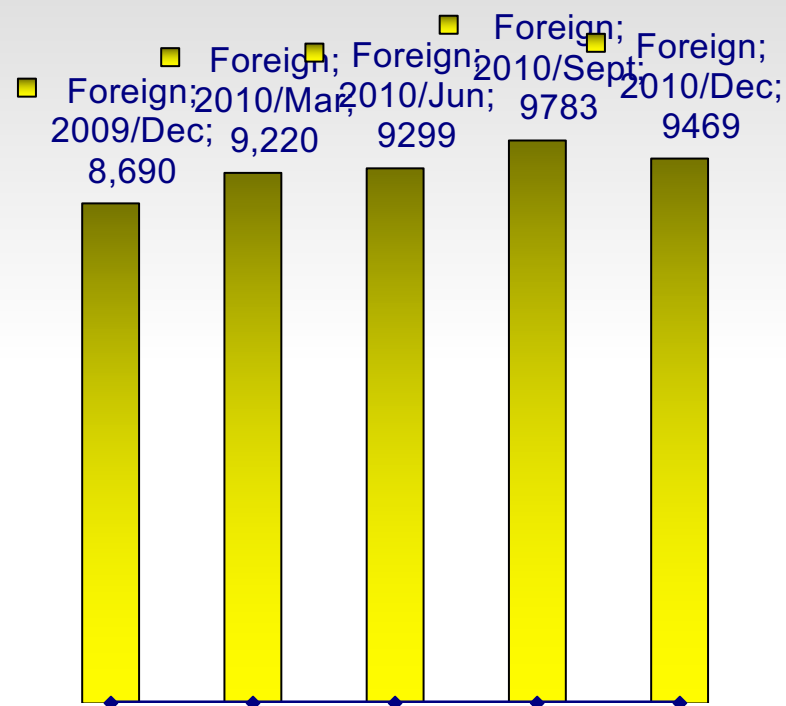
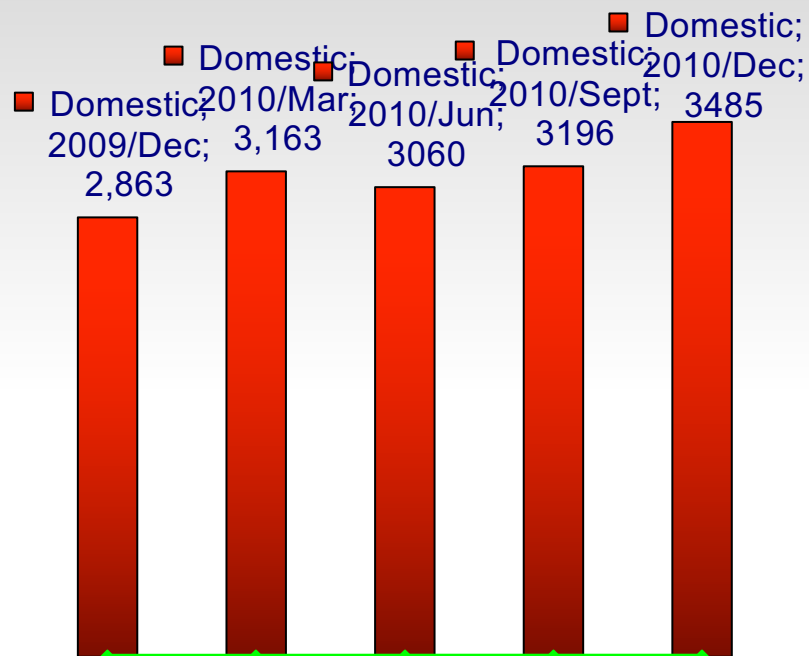
■ Negotiable Securities

■ Securities available for sale

■ Matured securities

■ Permanent securities

Panama: International Banking Center 12-Month Variation and Evolution of the Investment Portfolio



Domestic

Foreign 12-Month Growth 42

Panama: International Banking Center Composition of Domestic Investment by Title (in million of U.S. Dollars)

Category	International Banking Center		
	Dec.	Dec.	Var.
	2009	2010	2010-09
Public Values	1,618	1,960	342
Treasury Bills	200	289	89
Treasury Notes	152	500	348
Treasury Bonds	4	12	8
State Bonds	229	162	-67
Agency Bonds	-	-	-
Brady Bonds	-	-	-
Global Bonds	959	916	-43
Other Titles	74	81	7
Private Values	1,216	1,519	303
Negotiable Securities, Repurchase and other Private titles	161	265	104
Corporate Bonds	633	805	172
Acceptances	-	-	-
Negotiable Documents	5	12	7
Shares	417	437	20
Total	2,834	3,479	645

Lending and Deposits Rates

Panama: Behavior of Interest Rates

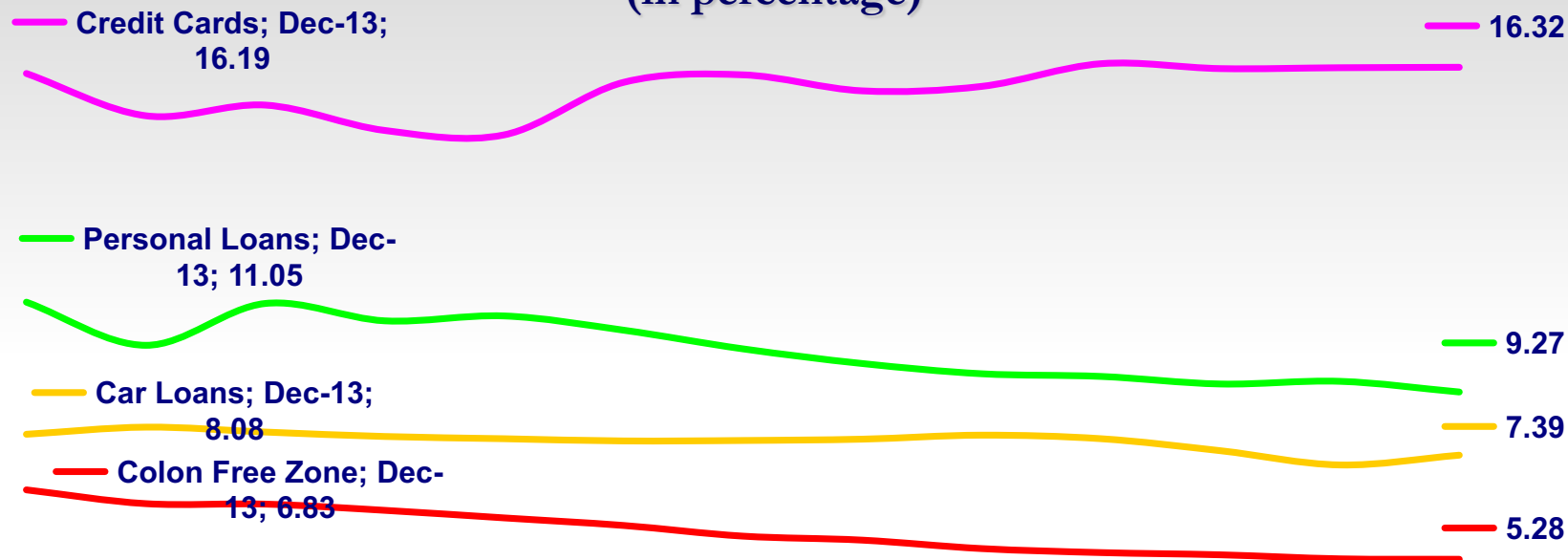
- Lending rates have maintained similar ranges throughout 2009 and 2010.
- Lending rates weighted for the Colon Free Zone, car loan, personal loan, and construction sector did not have remarkable changes during the assessed period.
- For the credit cards, the interest rates have shown an increase throughout the assessed period. As of December 2009, the average interest rate stood at 16.19% while as of December 2010, it is at 16.32%, increasing 13 basis points.
- Lending rates for Construction show a slight downward trend when as of December 2009 the lending rate for this sector was at 7.46%, while for December 2010 the rate shows a decrease to be at 7.16%.
- Deposit rates showed a slight downward trend if compared to the registered by LIBOR 6M , which is stable. This performance shows that in spite of having downward trends interest rates, the market maintains higher rates in order to collect domestic funds, especially in longer terms.

Panama: National Banking System

Lending Interest Rates weighted according to the Main Economic Sectors

Period: Dec. 09 – Dec. 10

(in percentage)



Colon Free Zone

Credit Cards

Personal Loans

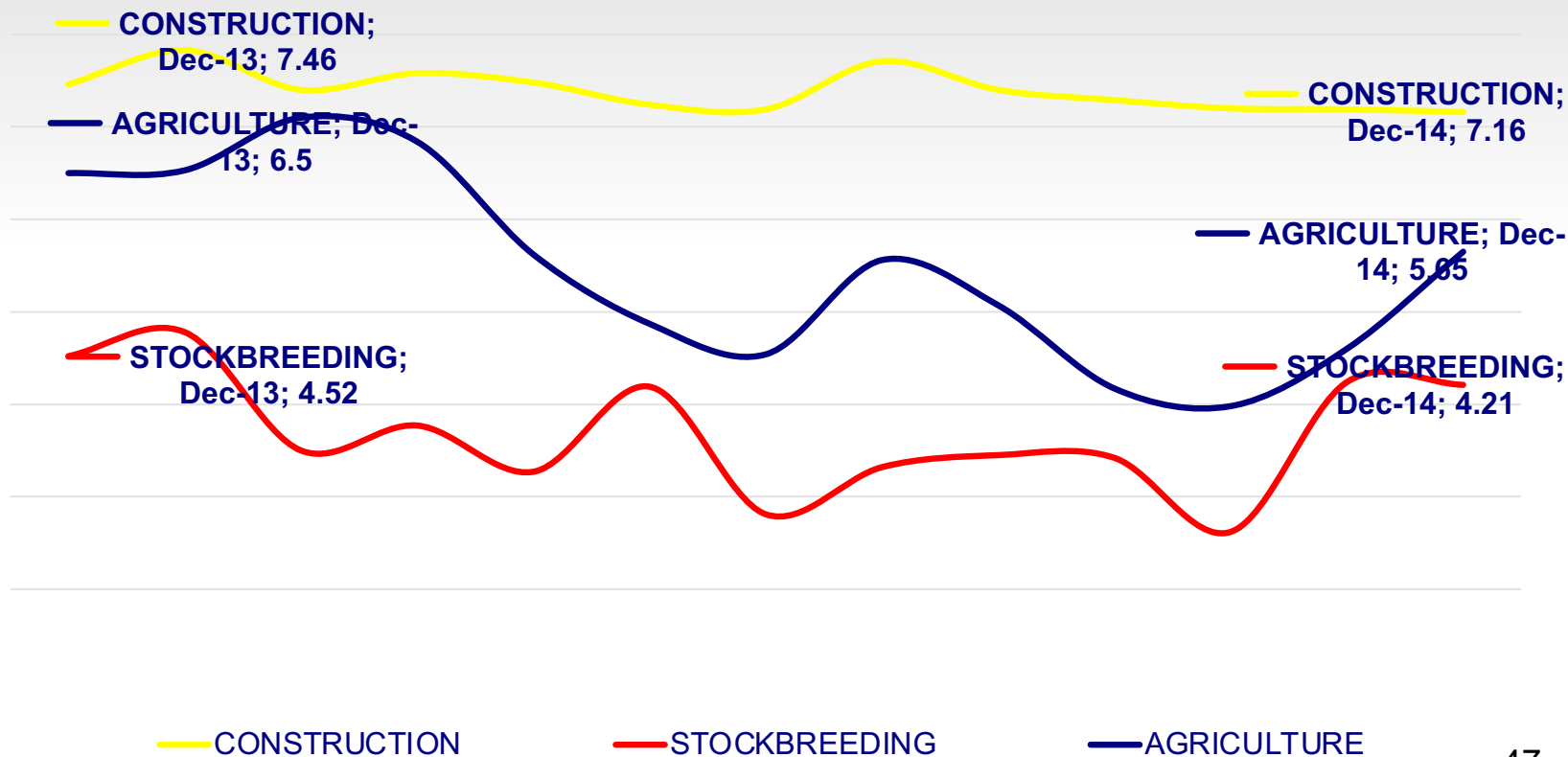
Car Loans

Panama: National Banking System

Lending Interest Rates weighted according to the Main Economic Sectors

Period: Dec. 09 - Dec. 10

(in percentage)

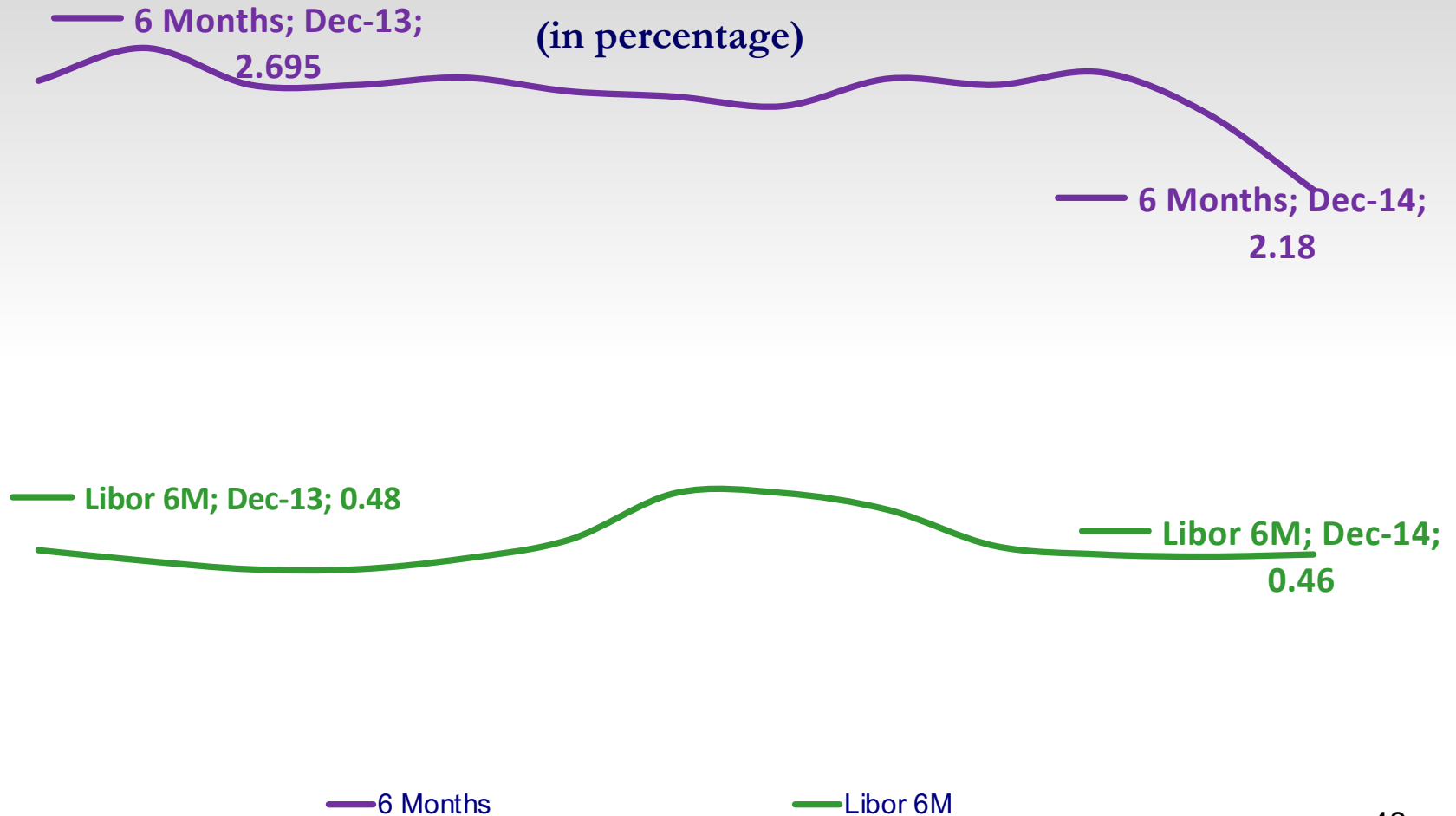


Panama: National Banking System

Time Deposits Interest Rates

Period: Dec. 09 - Dec. 10

(in percentage)



Panama: International Banking Center Quantity of Employees

