



Superintendencia de Bancos de Panamá

EXECUTIVE SUMMARY DECEMBER 2011

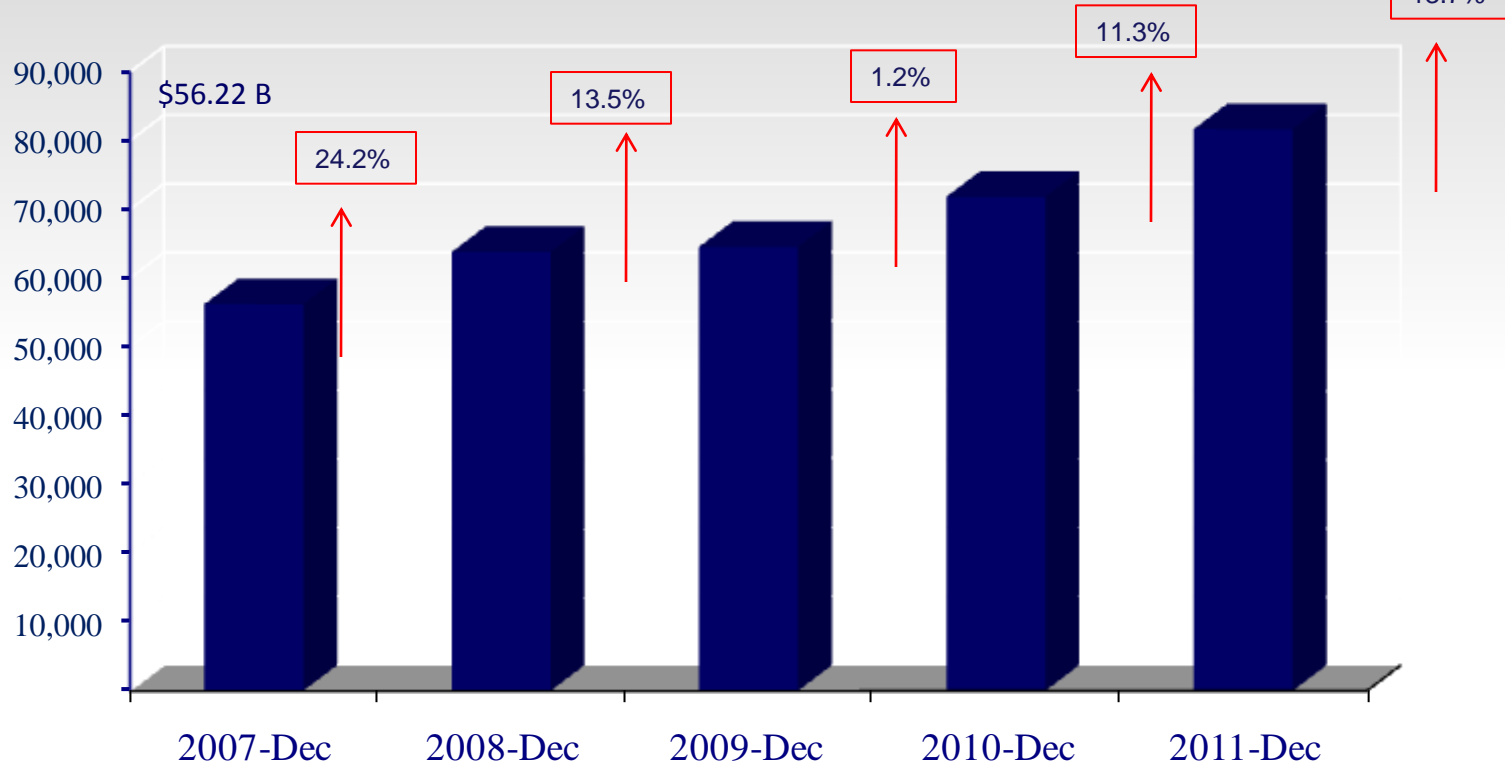


Panama: International Banking Center December 2011

- The performance of the International Banking Center (IBC) has generated favorable results throughout 2011 thanks to healthy competitiveness in the banking sector relative to the events taking place internationally in the developed economies. This consolidates Panama's IBC as one of the best positioned in the current financial and economic environment.
- As of December 2011, the IBC's assets, i.e. General and International License Banks, registered \$81.68 billion for a 13.7% increase over 2010. In addition, the National Banking System's (NBS) assets closed 2011 with \$66.22 billion for an annual growth of 15.2%
- The performance of IBC and NBS assets showed a sustained growth, that reached an average of 12.78% and 11.96%, respectively, over the five past years.
- Grating credit remains the main activity of the IBC, representing 61.92% of total assets in 2011.

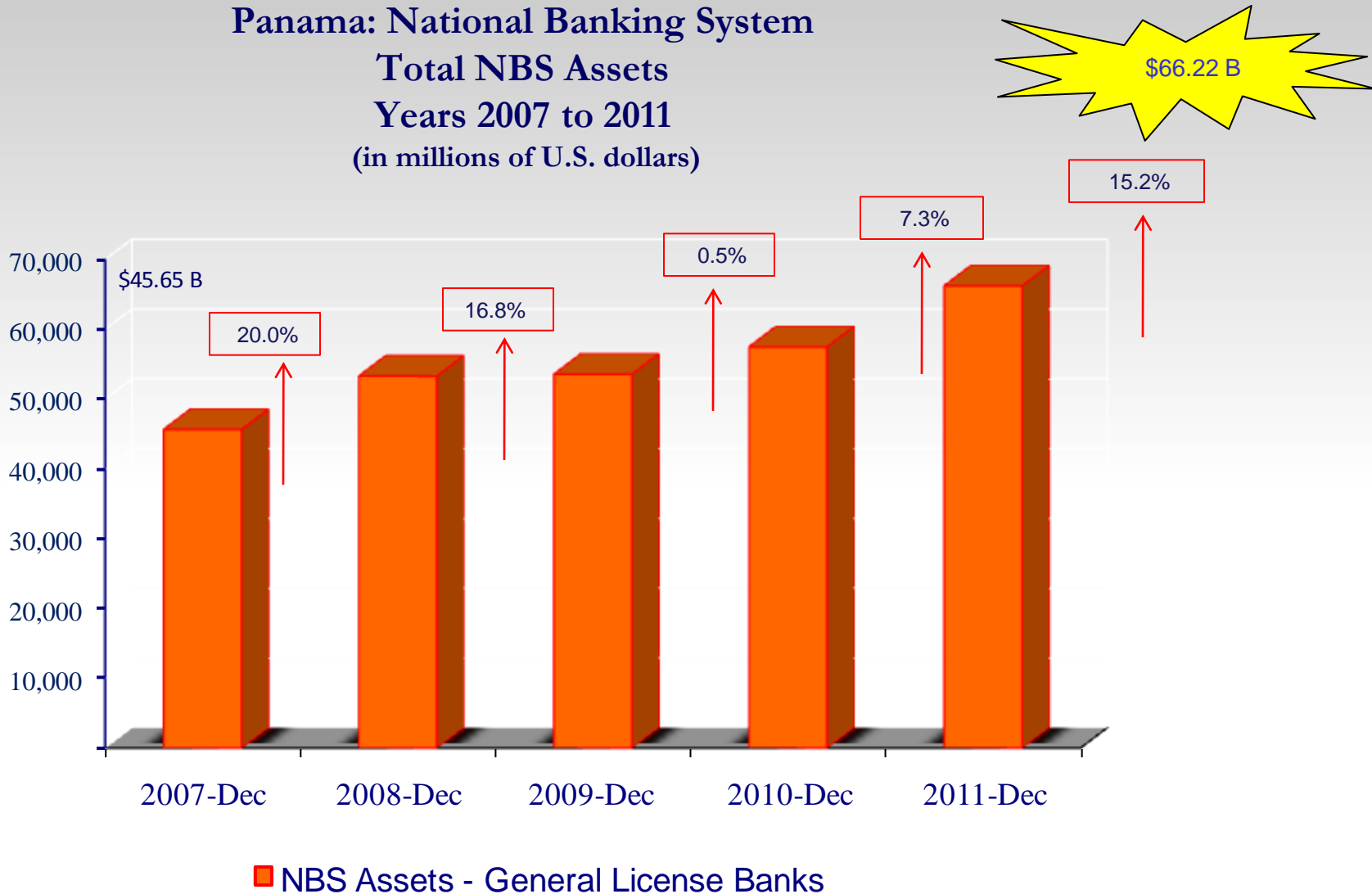
Panama: International Banking Center Total IBC Assets Years 2007 to 2011 (in millions of U.S. dollars)

\$81.08 B

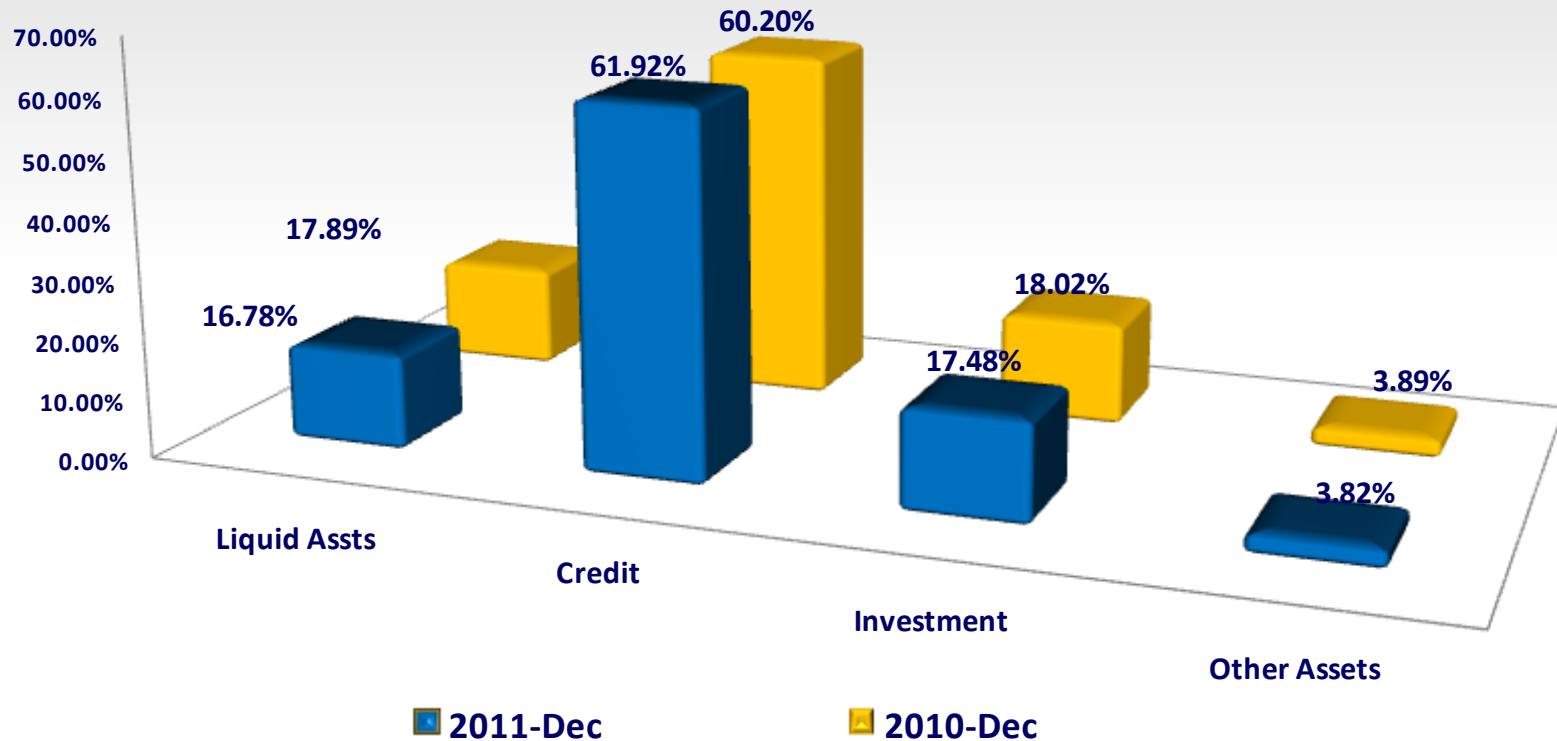


■ IBC Assets - General & International License Banks

Panama: National Banking System Total NBS Assets Years 2007 to 2011 (in millions of U.S. dollars)

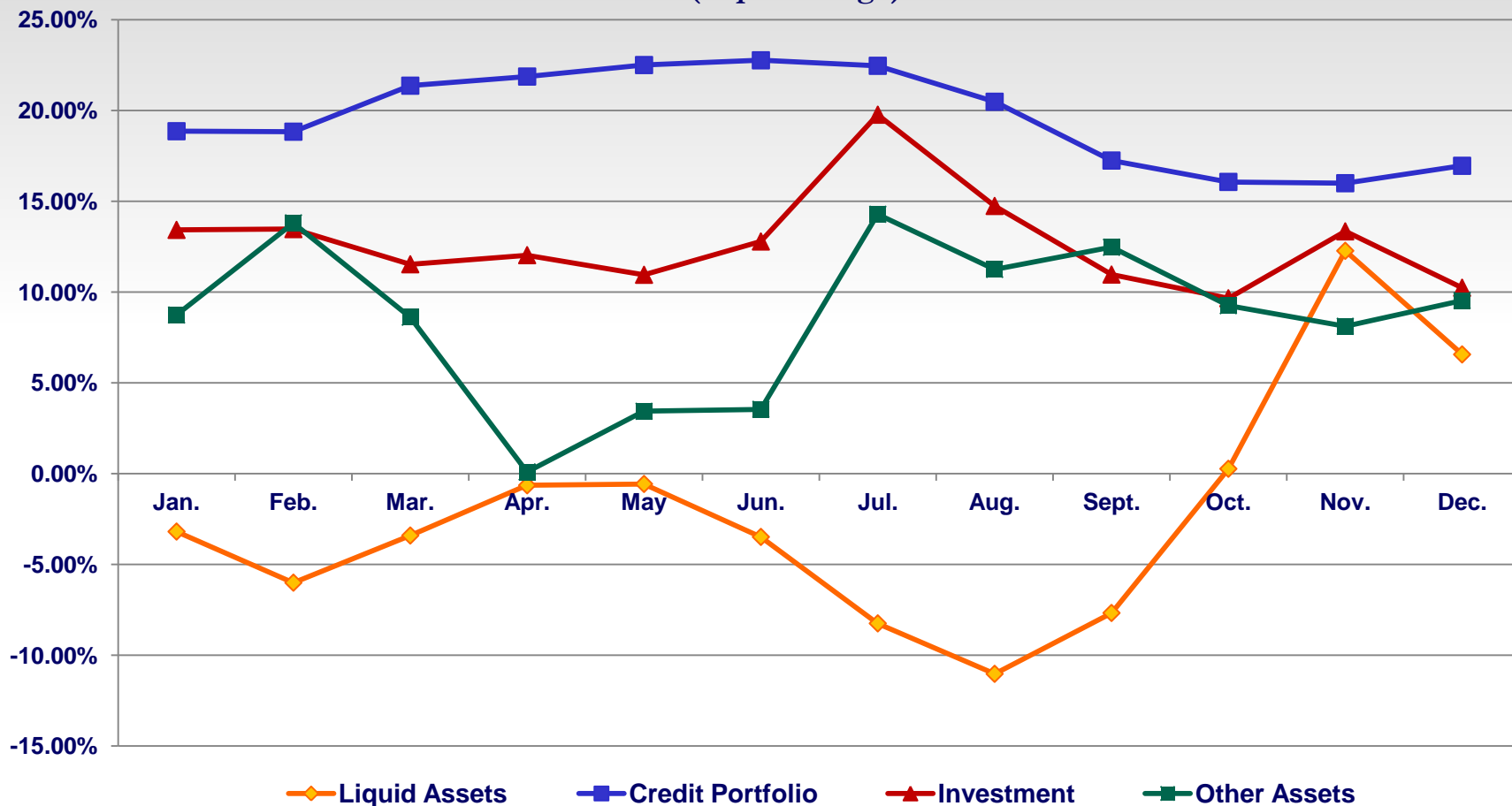


Panama: International Banking Center Main Account Assets vs. Total Assets Years 2010 and 2011 (in percentage)



Panama: International Banking Center 12-month Variation of the Main Assets Account Years 2009-2011

(in percentage)





Favorable Credit Performance

Panama: National Banking System December 2011

- The NBS's credit portfolio reached US\$41.04 billion for an annual growth of 19.75%
- Domestic loans to the private and public sectors amounted to US\$29.0 billion. This represents an annual growth of 17.3% over 2010.
- The credit is mostly to corporate clients (50.9%) including loans to the commerce, industry, and services sectors, among others. On the other hand, consumer loans represent 42.8%, including personal loans, mortgages, credit cards and car loans, among others. Additionally, other loans represent 6.3%. This portfolio does not show any significant variation over the last four years.
- For its part, the NBS's foreign loans reached \$12.04 billion for a 25.6% increase over December 2010. Commercial credit continues representing a large proportion of the total foreign portfolio at 71.3% and consumer loans at 3.6%. Likewise, there are no important changes in their composition during the four years presented.

Panama: National Banking System December 2011

- The domestic credit portfolio for the private sector increased US\$28.06 billion or 15.3% growth (US\$3.72 billion more than 2010).
- The credit growth experienced in 2011 was strongly influenced by the good economic performance of the country due to the strength of the construction, transportation, telecommunications, and commercial sectors.
- The evolution of domestic credit focused on the private sector was mainly supported by the following sectors: personal consumption (9.5%), construction (11.3%), mortgages (13.3%), and commercial loans (23.3%).
- The growth of the credit portfolio for industry (17.6%), stockbreeding (16.7%), and financial (20.4%) sectors was also shown.
- New loans for Jan.-Dec. 2011 came to US\$20.74 billion, registering an annual increase of 20.7%. This increase was reflected in the: Commercial (14.3%), industrial (50.1%), mortgages (29.2%), personal consumption (17.8%) and construction (16.2%) sectors, which were the determining in the expansion of the nation's GDP.

Panama: International Banking Center December 2011

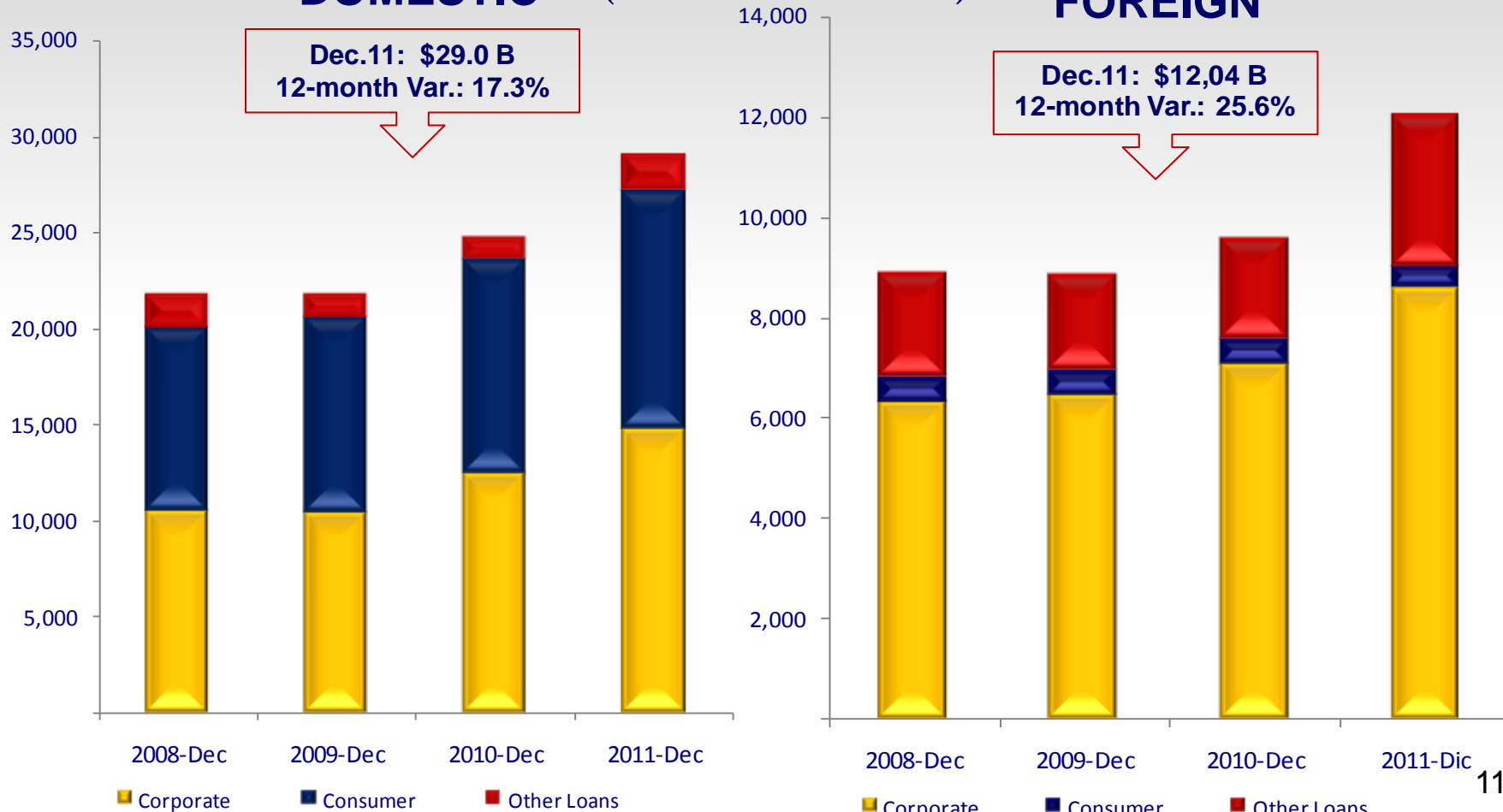
- The performance of the IBC's foreign credit portfolio has been positive during 2011. The foreign portfolio stood at \$22.25 billion for a 16.3% growth, (\$3.11 billion more than 2010).
- The drivers of this performance were: the financial sector (32.2%), services (35.9%), industry (10.7%), ports and railroads (173.0%), and construction (12.1%).

Panama: National Banking System Credit Portfolio by Type of Loan Year 2008 to 2011

DOMESTIC

(in millions of U.S. dollars)

FOREIGN



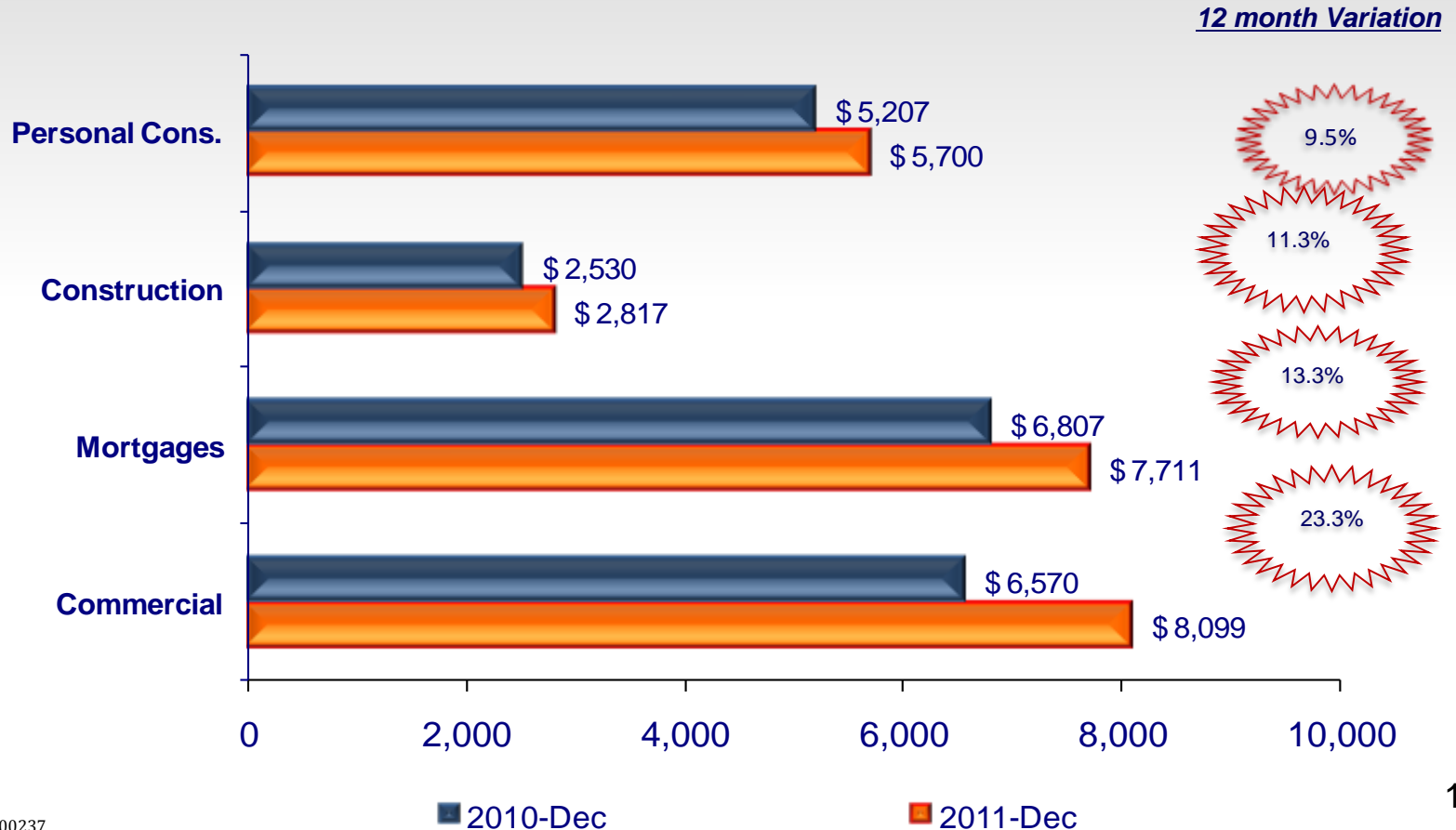


Superintendencia de Bancos de Panamá

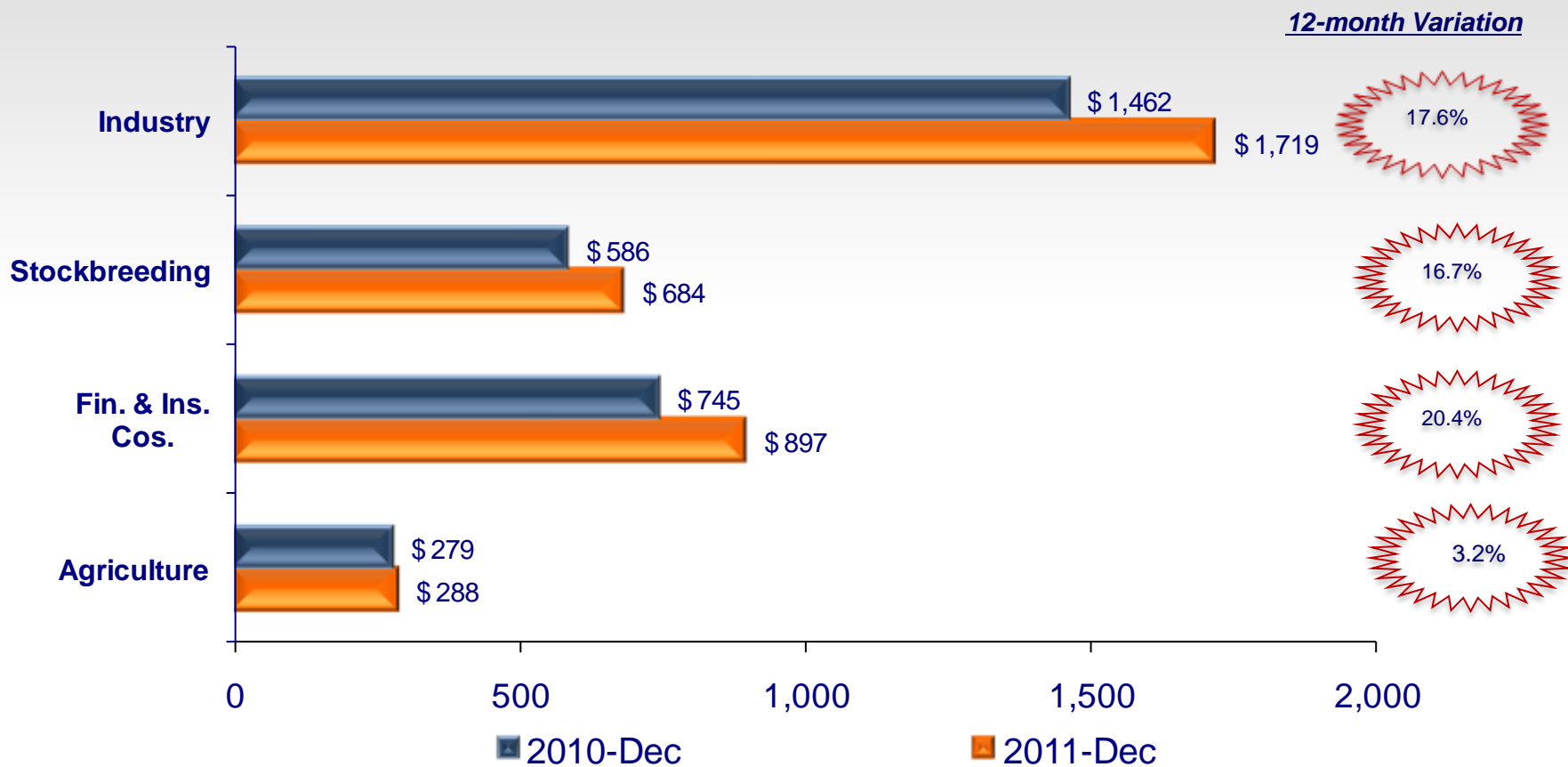
Panama: National Banking System Balance of Credit to Economic Sectors: December 2011 (in millions of U.S. dollars)

Activity	2010	2011	12-month Var.	
	Dec.	Dec.	Total	%
TOTAL	24,720	29,000	4,280	17.3%
Public Sector	383	944	560	146.3%
Private Sector	24,337	28,057	3,719	15.3%
Finance & Insurance Cos.	745	897	152	20.4%
Agriculture	279	288	9	3.2%
Stockbreeding	586	684	98	16.7%
Fishing	53	44	-9	-17.3%
Mining and Quarrying	24	34	10	43.6%
Commercial	6,570	8,099	1,528	23.3%
Industry	1,462	1,719	257	17.6%
Mortgages	6,807	7,711	904	13.3%
Construction	2,530	2,817	287	11.3%
Microcredit	74	65	-10	-13.0%
Personal Consumption	5,207	5,700	493	9.5%

Panama: National Banking System Balance of Private Domestic Credit by Activity Years 2010 and 2011 (in millions of U.S. dollars)



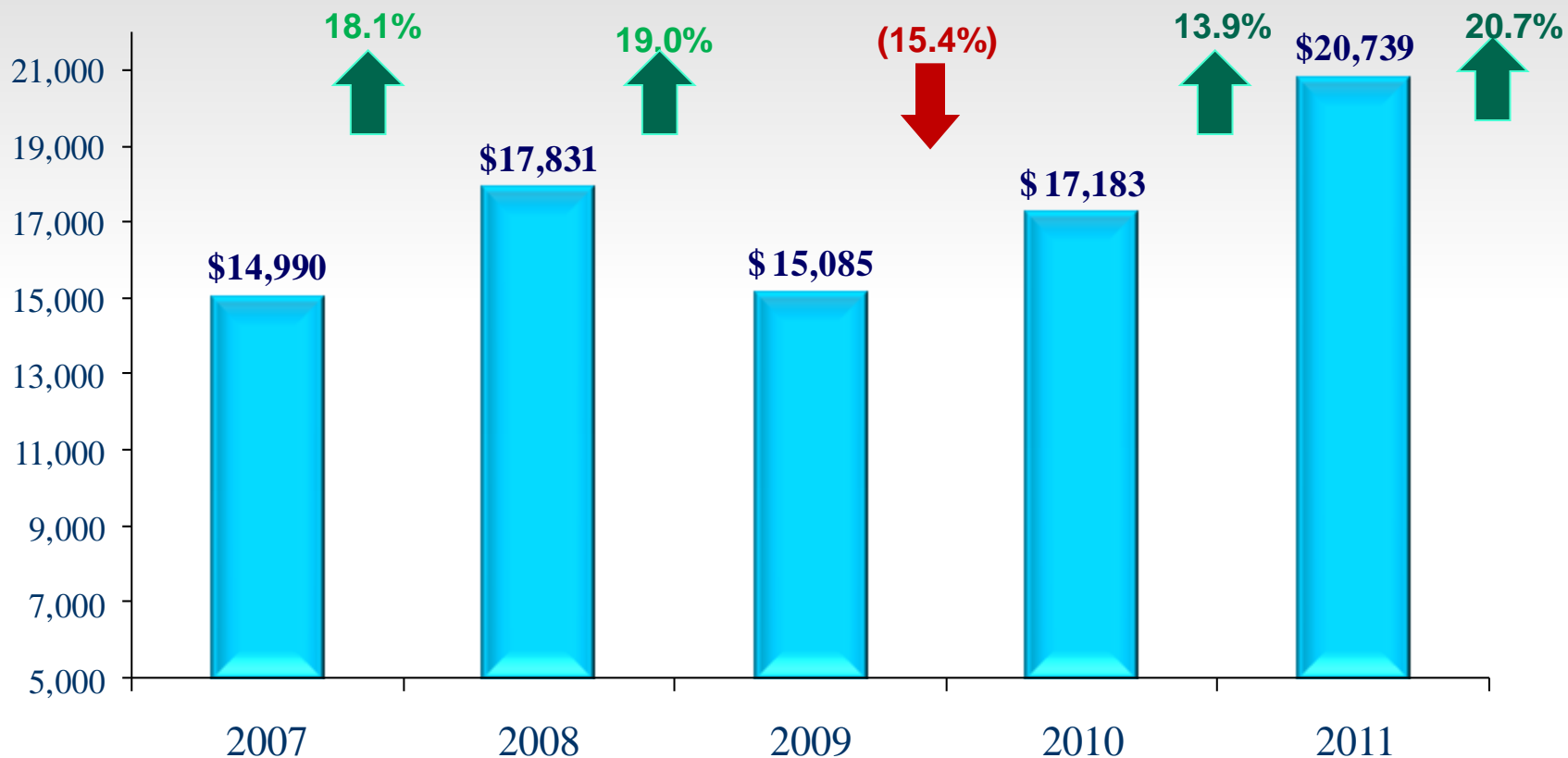
Panama: National Banking System Balance of Private Domestic Credit by Activity Years 2010 and 2011 (in millions of U.S. dollars)



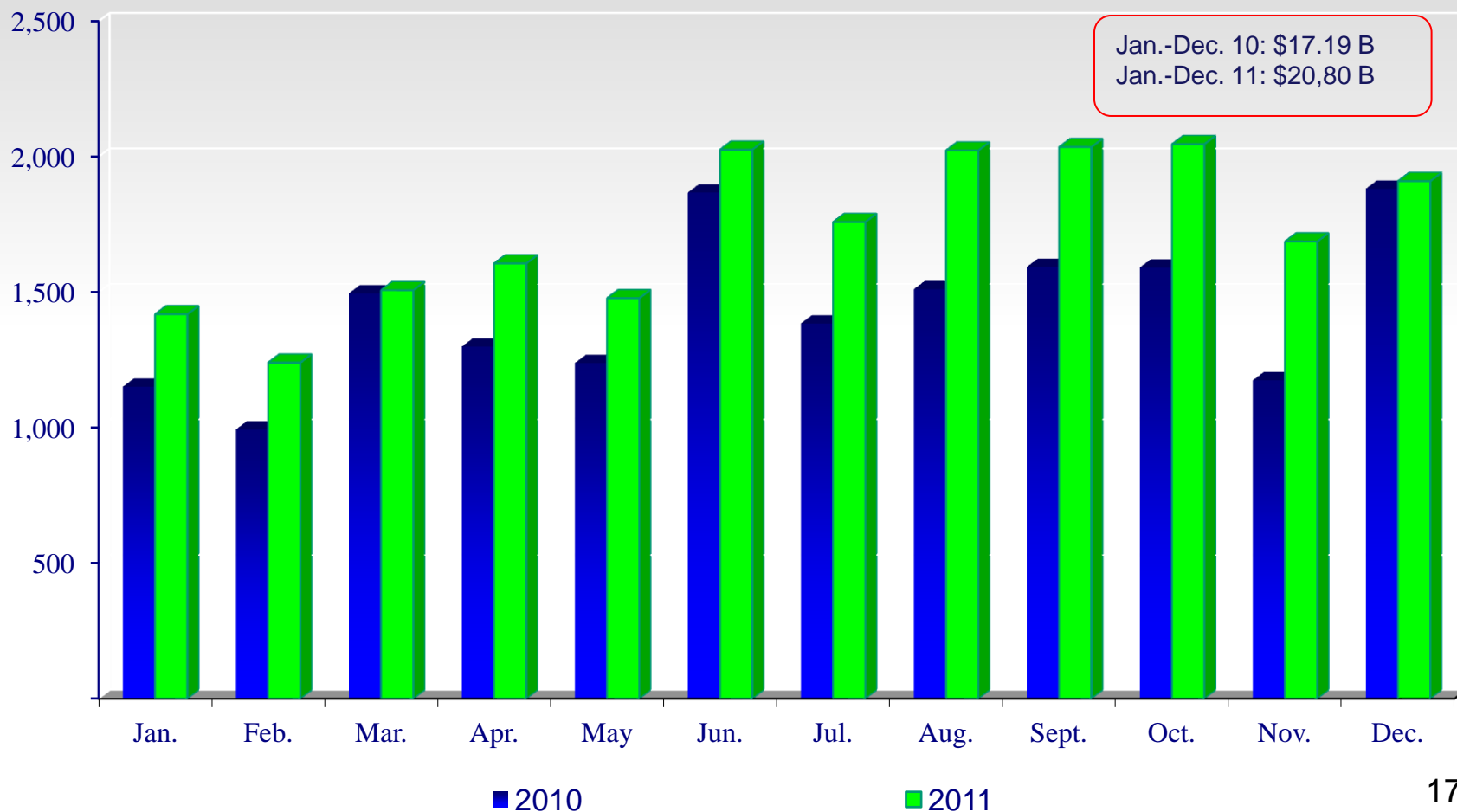
Panama: National Banking System
New Loans: Years 2009 to 2011
(in millions of U.S. dollars)

Sectors and Activities	Jan.-Dec.	Jan.-Dec.	Jan.-Dec. 11/10 Var.	
	2010	2011	Total	%
Public Sector	47	512	465	986.0%
Finance Companies	788	750	-38	-4.8%
Agriculture	234	200	-33	-14.2%
Stockbreeding	335	418	83	24.9%
Fishing	101	113	12	11.9%
Mining and Quarrying	9	25	16	167.6%
Commercial	9,954	11,374	1,421	14.3%
Industry	1,514	2,273	759	50.1%
Mortgages	1,284	1,659	375	29.2%
Construction	1,416	1,646	230	16.2%
Personal Consumption	1,501	1,769	268	17.8%
Total	17,183	20,739	3,556	20.7%

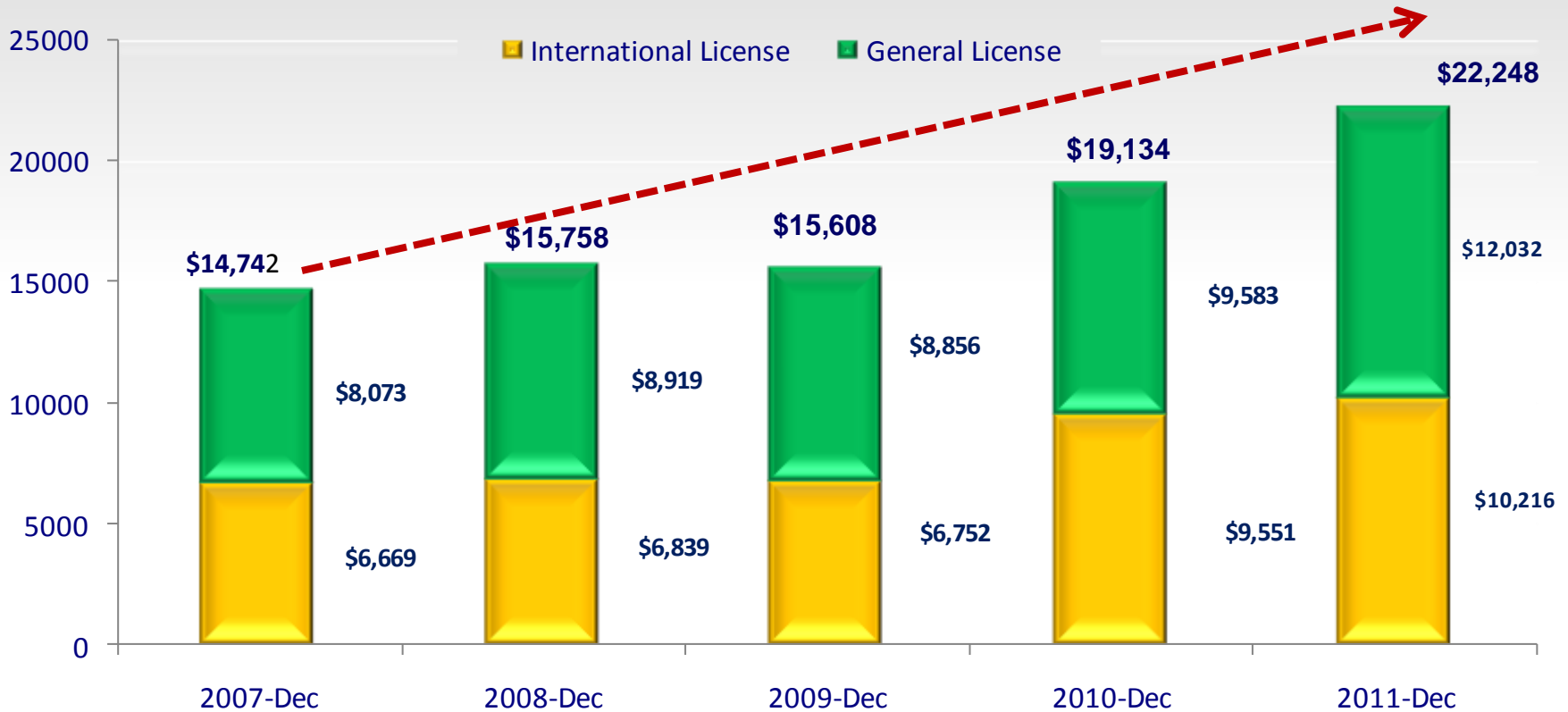
Panama: National Banking System Disbursement of New Loans Years 2007 to 2011 (in millions of U.S. dollars)



Panama: National Banking System Cumulative Flow of New Loans 2010-2011, per month (in millions of U.S. dollars)



Panama: International Banking Center Balance of Foreign Portfolio Years 2007 to 2011 (in millions of U.S. dollars)





Lines of Credit

Panama: International Banking Center December 2011

- Total lines of credit received increased 68% over December 2008, the date of the last survey.
- This increase is consonant to the growth of credit and letters of credit portfolios during the 2008 – 2011 period. They have increased 33% and 64%, respectively.
- The banks offering these lines of credit are banks holding the highest credit ratings, confirming the soundness of banks of the IBC.



Superintendencia de Bancos de Panamá

International Banking Center Lines of Credit as of December 2011: Survey Results (in millions of U.S. dollars)

Type of Line	Irrevocable	Revocable	Total	Used	Available
Foreign Trade	241	4,198	4,439	2,835	1,605
Working Capital/Liquidity	2,523	1,037	3,560	1,917	1,643
Revolving Syndicated Loans	84	715	799	799	0
Repos	20	1,402	1,422	628	794
Grand Total	2,868	7,352	10,220	6,178	4,042

72% of lines received are revocable
60% of use

Use: 43% foreign trade
✓ 35% working capital/liquidity
✓ 8% loans
✓ 14% repos



Superintendencia de Bancos de Panamá

International Banking Center Lines of Credit as of December 2011: Survey Results (in millions of U.S. dollars)

Origin of Banks granting Lines of Credit	Amount
Asia	1,052.62
Europe	3,977.76
Latin America	877.32
North America	4,072.09
Others	240.09
Grand Total	10,219.88

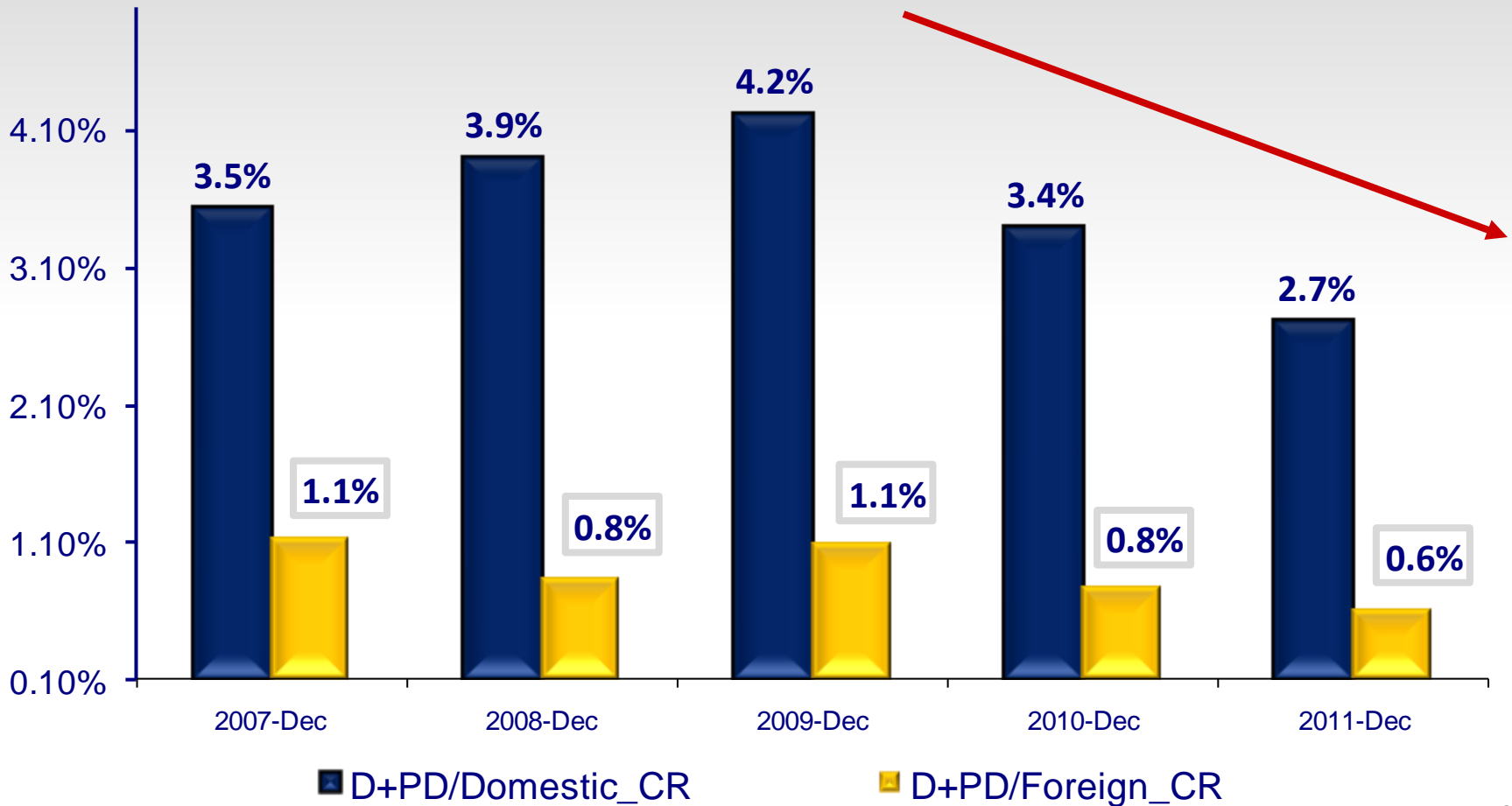


Healthy Domestic and Foreign Credit Portfolios

Panama: International Banking Center December 2011

- The quality indicators showed a healthy credit portfolio while seeing important decreases in the rhythm of the delinquent and past due portfolios.
- The domestic credit delinquent index stood at 2.7%, indicating a decrease compared to the 3.4% registered in 2010. For the foreign portfolio, this indicator stood at 0.6%, lower than the 0.8% and 1.1% registered in December 2010 and December 2009, respectively.
- These results reflect the sound practices of the banking community at the moment of granting loans and a smooth management of their portfolios

Panama: National Banking System Delinquent and Past Due Loans vs. Total Portfolio Years 2007 to 2011 (in percentage)



Panama: International Banking Center Quality of Domestic Portfolio (in millions of U.S. dollars)

Category	State-owned Banking				
	2007/Dec	2008/Dec	2009/Dec	2010/Dec	2011/Dec
CURRENT	2,893	2,983	2,964	3,417	3,924
DELINQUENT	44	44	42	45	53
PAST DUE	122	112	81	67	60
Category	3,059	3,140	3,086	3,529	4,038

Category	Panamanian Private Banking				
	2007/Dec	2008/Dec	2009/Dec	2010/Dec	2011/Dec
CURRENT	8,334	9,902	10,220	11,528	14,075
DELINQUENT	166	190	190	196	195
PAST DUE	70	101	92	89	98
Category	8,570	10,193	10,502	11,813	14,368



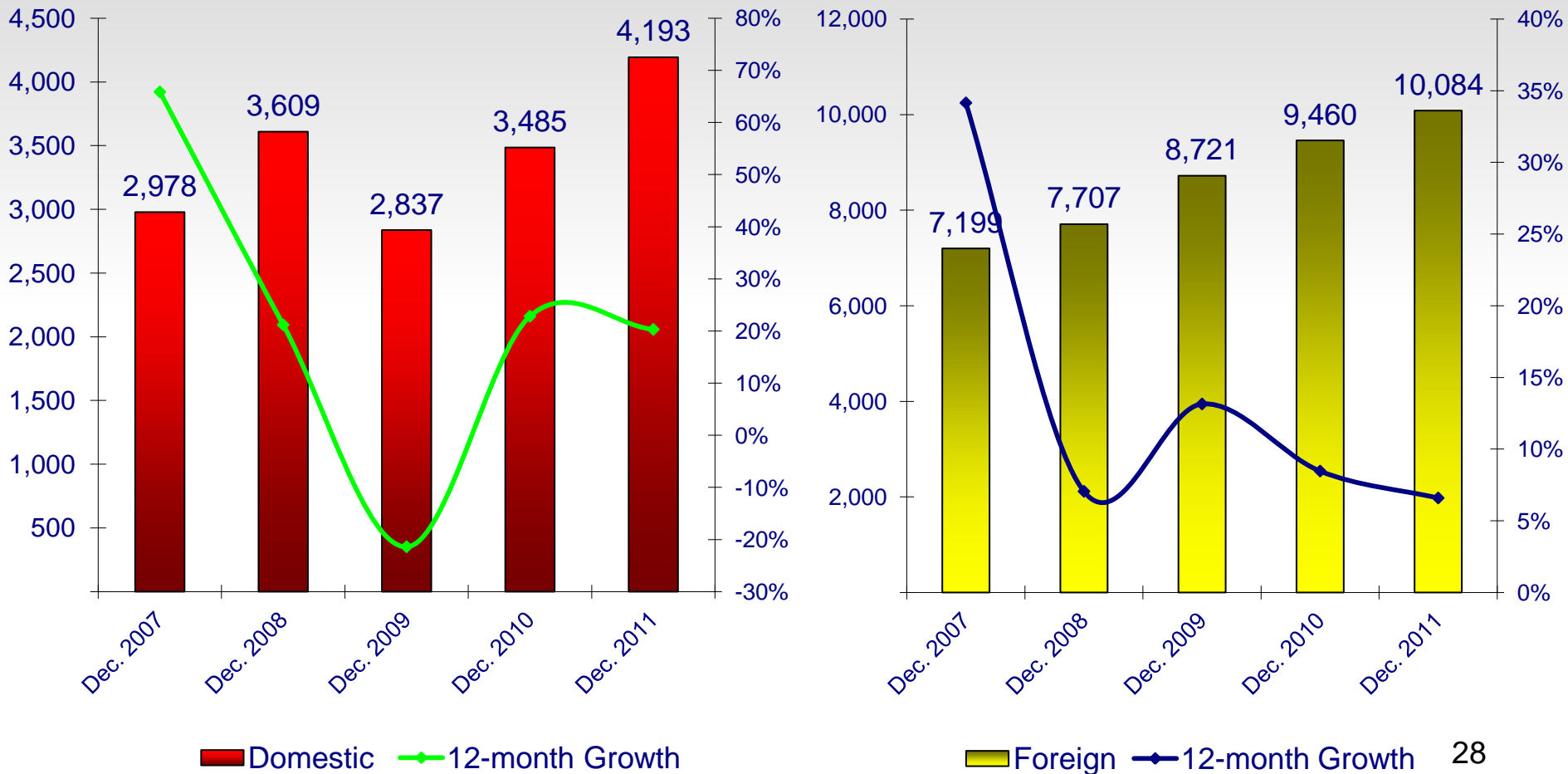
Superintendencia de Bancos de Panamá

Panama: International Banking Center Quality of Domestic Portfolio (in millions of U.S. dollars)

Category	Private Foreign Banking				
	2007/Dec	2008/Dec	2009/Dec	2010/Dec	2011/Dec
CURRENT	15,343	16,964	16,481	18,446	22,160
DELINQUENT	185	185	355	307	275
PAST DUE	183	293	257	204	192
Category	15,712	17,442	17,093	18,958	22,627

Category	International License Banks				
	2007/Dec	2008/Dec	2009/Dec	2010/Dec	2011/Dec
CURRENT	6,641	6,800	6,710	9,512	10,178
DELINQUENT	9	26	24	21	15
PAST DUE	19	13	18	24	23
Category	6,669	6,839	6,752	9,557	10,216

Panama: International Banking Center 12-Month Variation and Evolution of the Investment Portfolio (in million of U.S. dollars)





Sound Domestic and Foreign source of funding

Panama: International Banking Center December 2011

- The growth in collected deposits reflects the country's economic growth and the increase in new funds from foreign depositors that are choosing Panama for its advantages over other marketplaces. As of Dec. 2011, the total deposits of the IBC reached to US\$57.94 billion, an annual increase of 12.75%.
- This source of funding maintained the growth trend of the last 4 years. During this period, the deposits of the IBC and NBS increased 10.0% and 9.8%, respectively.
- Most of the collections are focused on private deposits (74.7%), followed by interbank deposits (15.4%) and state-owned deposits (9.9%). According to their relative weight, the largest increase were in time deposits (40.9%), followed by savings accounts (18.0%) and demand deposits (15.8%).

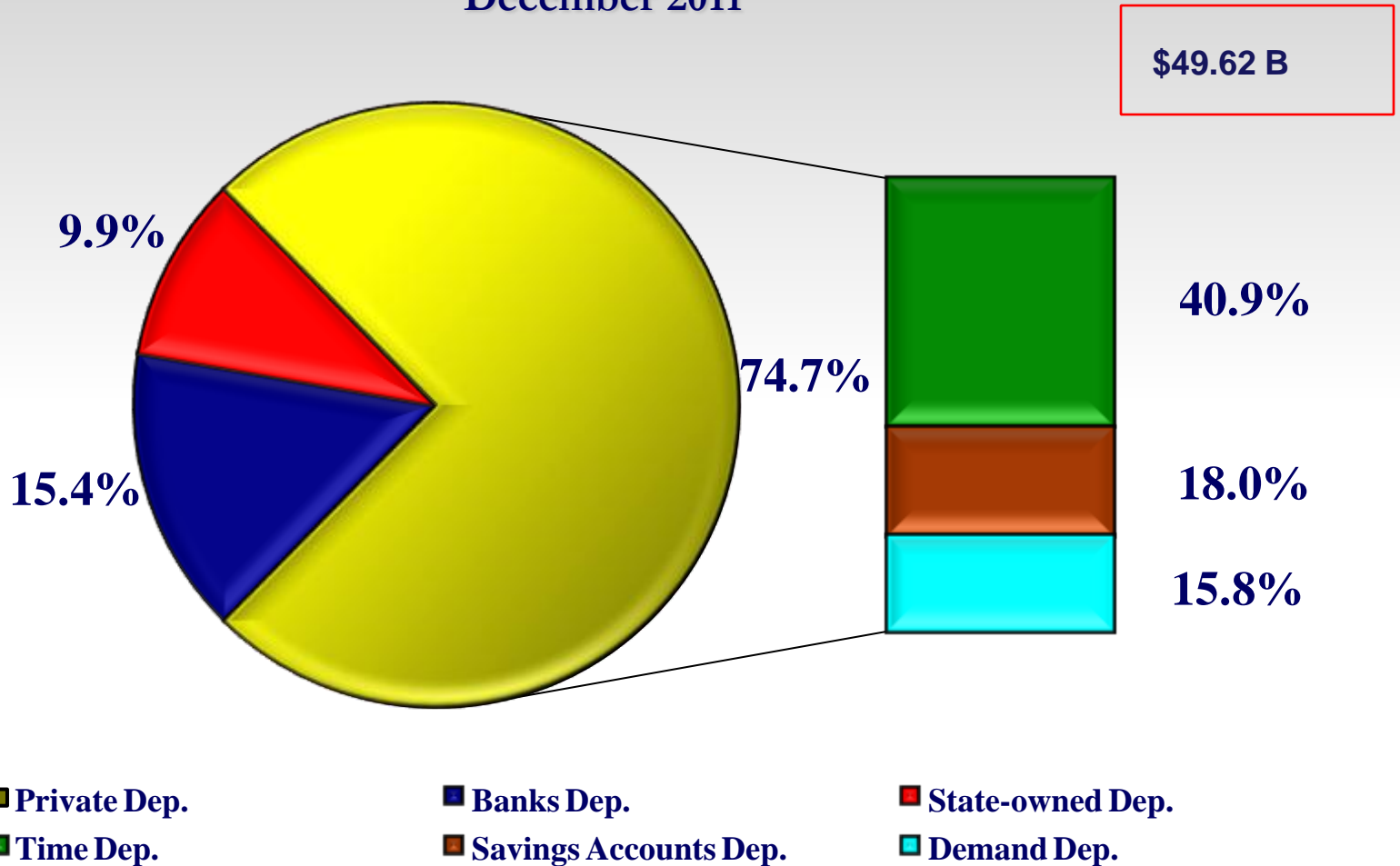
Panama: International Banking Center December 2011

- This structure is one of our strengths, due to the private deposits that are the main source of funding for the Center.
- The collections from the public are stable and unchanged in composition.
- Private domestic deposits reached US\$26.40 billion, an 8.3% increase, while private foreign deposits stood at US\$10.67 billion, an 8.4% increase.
- The NBS's source of funding is collections from the public, with domestic deposits being the strongest. This source of funding is the one financing banking activities.

Panama: International Banking Center Balance of Domestic and Foreign Deposits Years 2007 to 2011 (in millions of U.S. dollars)



Panama: National Banking System Deposits Portfolio December 2011



Panama: National Banking System Private Deposits Years 2007 to 2011 (in millions of U.S. dollars)



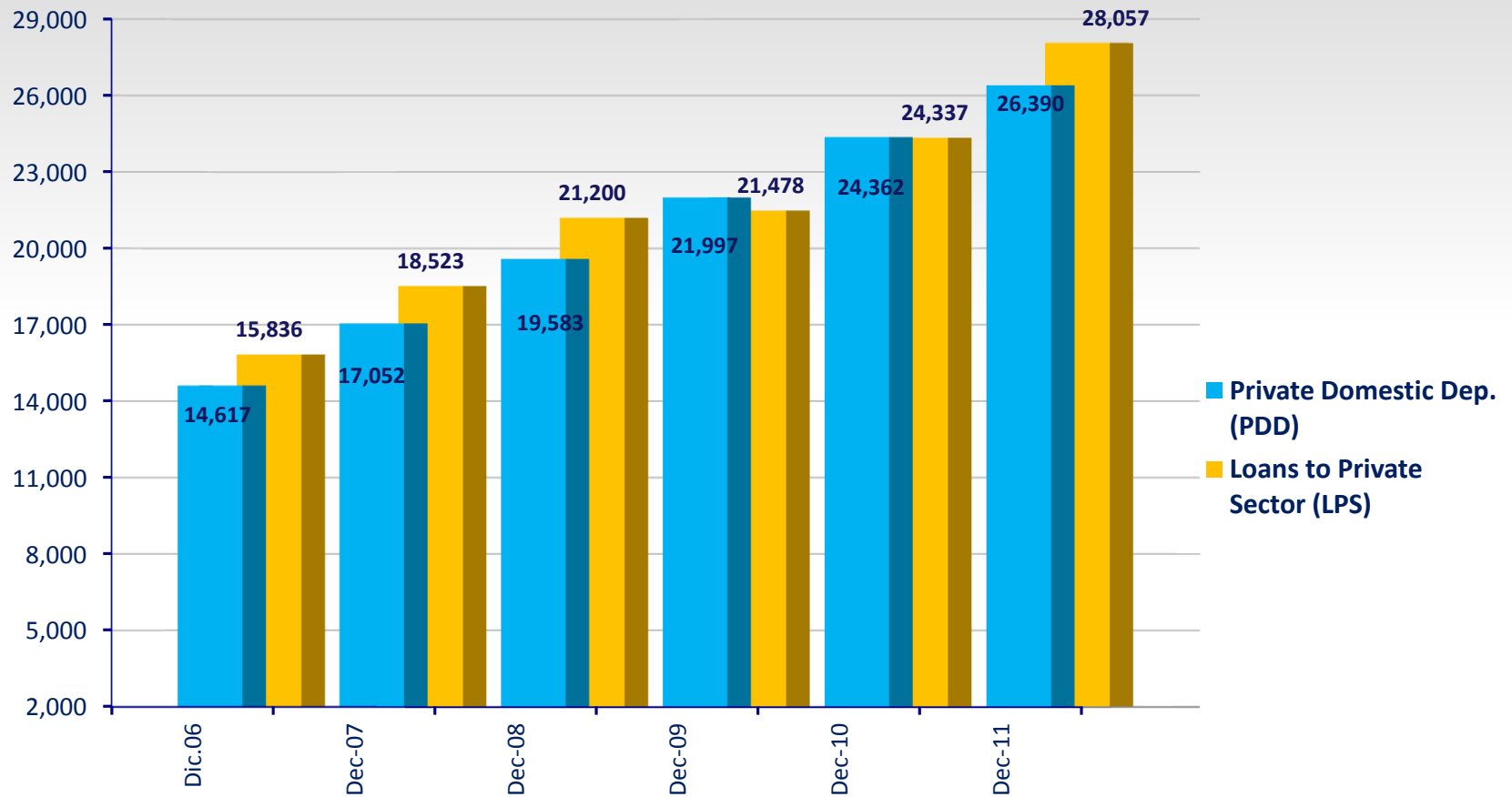
■ Domestic private deposits

■ Foreign private deposits

"Velando por la Solidez del Centro Bancario Internacional"

Panama: National Banking System Balance of Private Sector Loans and Domestic Deposits

LPS:US\$28.08 B
PDD:US\$26.40 B



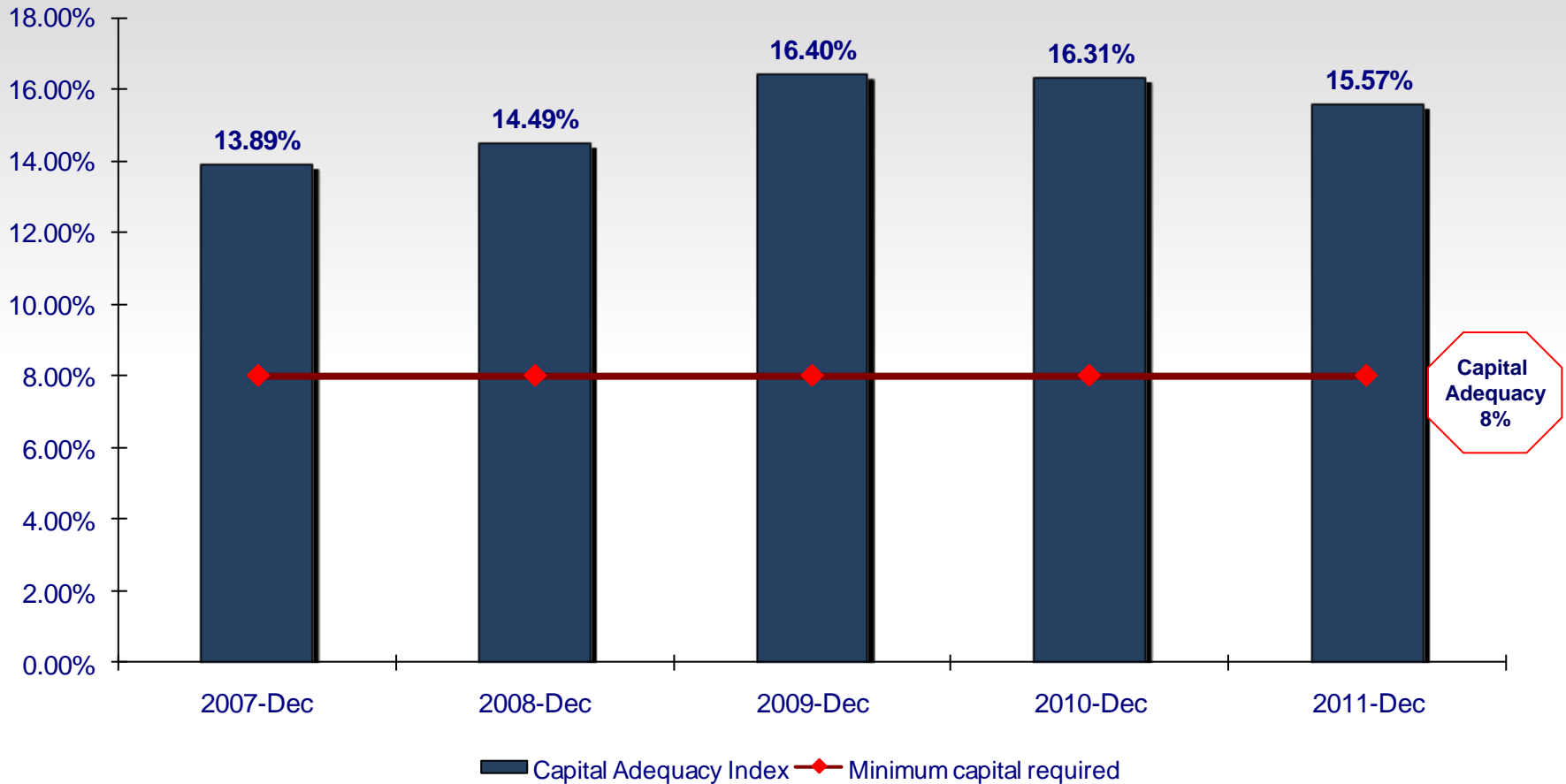


Strong Banking Capitalization

Panama: International Banking Center December 2011

- Solvency remains sound with equity funds representing an average of 15.57% of assets weighted by risk – higher than the 8% required by law.
- The banking capitalization of the IBC showed indicators that highlighted its stability and soundness. In this regard, the conservative attitude and discretion of the bankers, which have allowed them to take a long-term view of the business environment, have been determining factors.
- The regulatory capital is composed of tier 1 and tier 2 capitals. The net tier 1 capital is composed of common shares, non-cumulative preferred shares, declared reserves and undistributed profits.
- The weight of tier 1 capital in equity funds maintained by the IBC is noteworthy. For example, on 31 December 2011, the relationship between net tier 1 capital and equity funds was 90% for Panamanian private banking; 97% for Foreign private banking; 100% for State-owned banking, and 62% for International banking.
- As of December 2011, the monthly average of the liquidity ratio stood at 65.95%, well over that required by law (30%). This liquidity is bolstered by widely diversified assets that are unchanged in composition.
- It is important to note that even taking into account the large increase in credit portfolio, there are no significant reductions in liquidity levels.

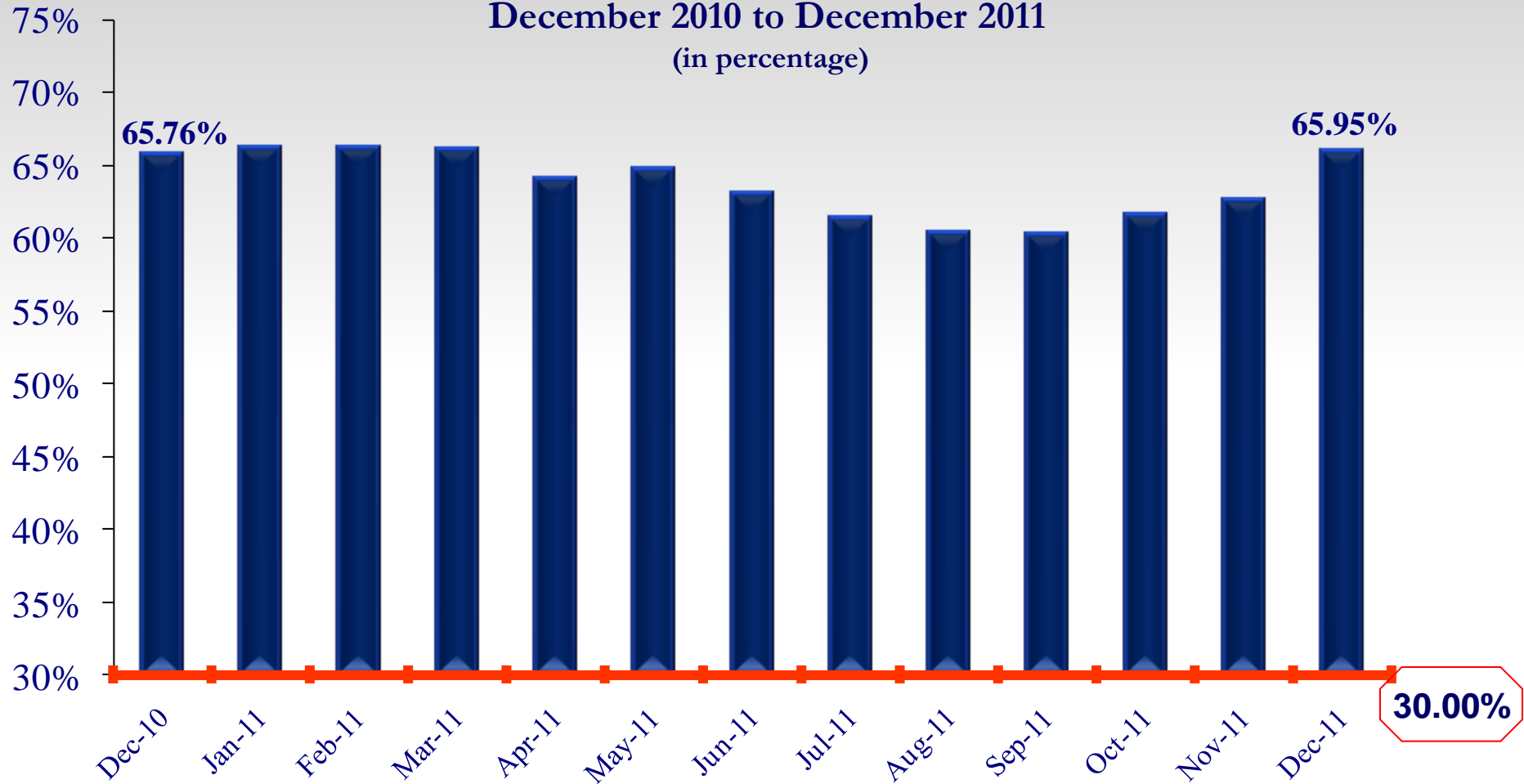
Panama: International Banking Center Capital Adequacy Index Years 2007 to 2011



Panama: International Banking Center
Quality of Capital
December 2011
(in millions of U.S. dollars)

	Type of Banking			
	Panamanian Private	Foreign	State-owned	International
Net Tier 1 capital	2,354.21	4,266.93	751.09	348.07
Net Tier 2 capital	275.02	134.63	3.52	213.57
Equity	2,629.23	4,401.56	754.60	561.63
Tier 1 Capital as a percentage of Equity	90%	97%	100%	62%
Tier 2 Capita as a percentage of Equity	10%	3%	0%	38%
	100%	100%	100%	100%

Panama: National Banking System Monthly Average of the Legal Liquidity Ratio December 2010 to December 2011 (in percentage)





Strength in Income Accounts

Panama: International Banking Center December 2011

- The cumulative net profit as of December 2011 reached US\$1.32 billion, a 23.1% growth over 2010. This increase reflects increase in credit portfolio income (11.8%) and other brokerage operations (26.0%) combined with smaller increases in operating expenses (5.6%)
- Cumulative profit for 2011 is greater than the registered in 2009 and 2010, respectively. When analyzing the quarterly results, these reflect the impact of economy, that has increased from 3.9% in 2009 to 10.5% in 2011.
- At the same time, the IBC's profitability indicators have maintained the positive behavior of recent years. As of December 2011, the return on assets of the IBC stood at 1.69%, higher than 1.57% and 1.41% recorded in December 2010 and December 2009, respectively.
- The IBC's return on equity registered 15.02% in 2011, higher than 13.99% and 11.99% registered on December 2010 and December 2009, respectively.
- The results registered as of the end of 2011 showed that the IBC maintains strong profit generation, thanks to a dynamic economy that benefited the financial sector in general and also to the effective and conservative handling of banking. The contribution of the financial sector to the GDP stood at 8.2%



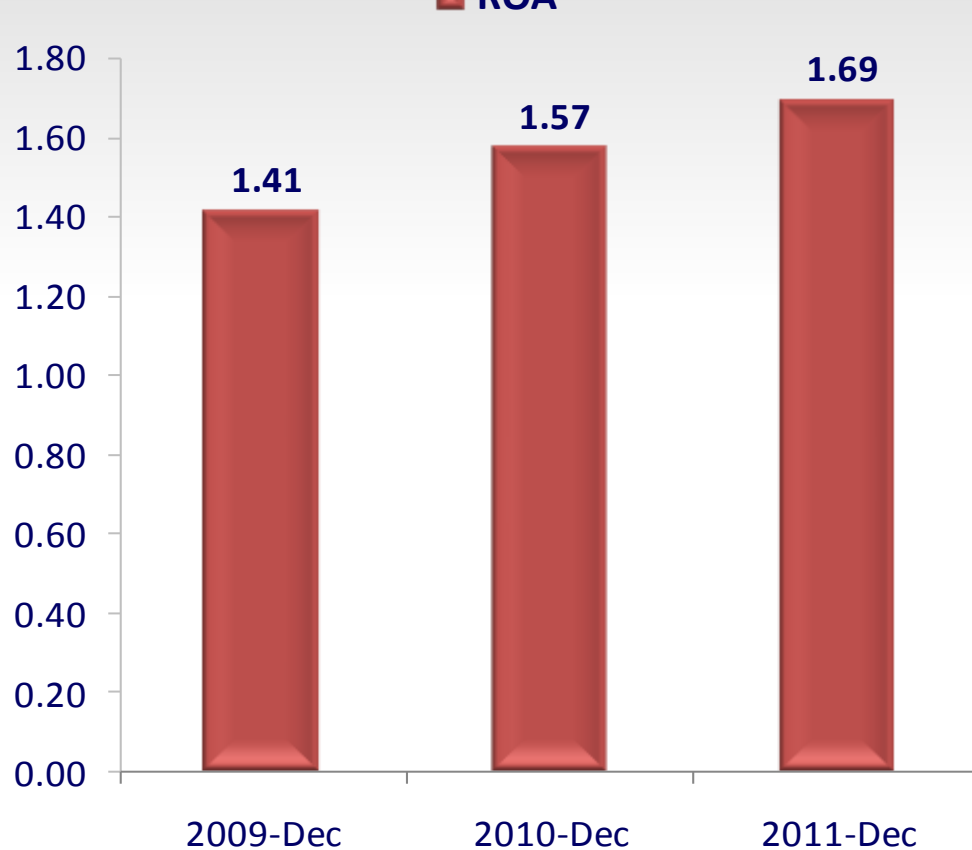
Superintendencia de Bancos de Panamá

Panama: International Banking Center Income Statement Years 2010 and 2011 (in millions of U.S. dollars)

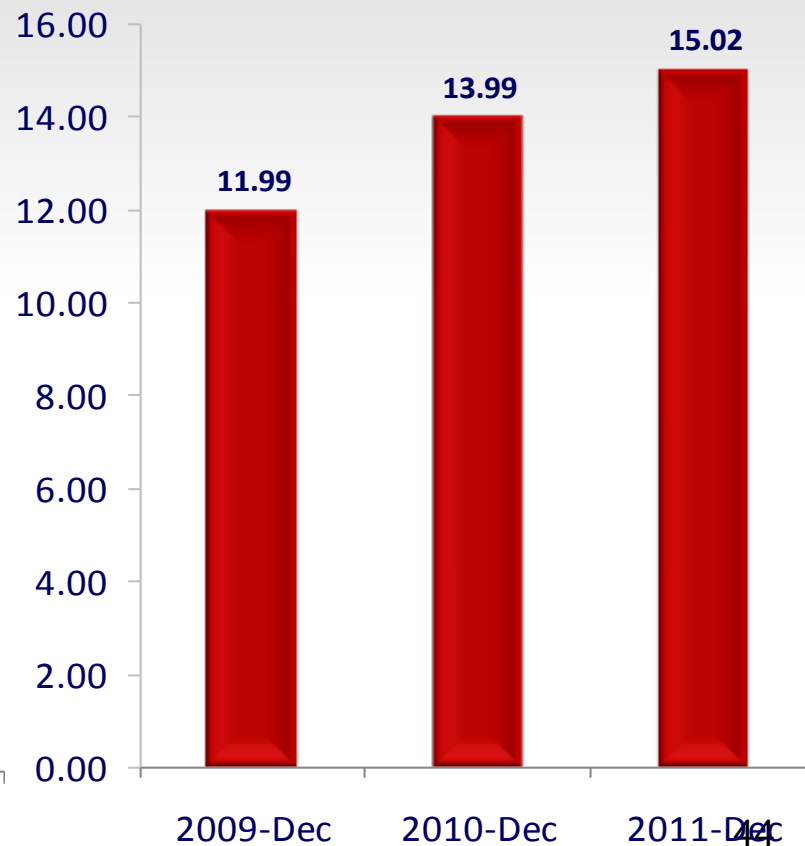
Accounts Description	2010	2011	12-month Var.	
	Cum. Jan.-Dec.	Cum. Jan.-Dec.	Total	%
Interest Income	3,089	3,454	364	11.8%
Loans	2,628	2,938	310	11.8%
Deposits	54	49	-5	-9.0%
Investment	372	428	56	14.9%
Financial Leasing	15	18	3	21.0%
Other Income	21	21		1.9%
Operating Expenses	1,666	1,759	94	5.6%
Net Interest Income	1,424	1,694	271	19.0%
Other Income	1,353	1,706	352	26.0%
Operating Income	2,777	3,400	623	22.4%
General Expenses	1,515	1,863	348	22.9%
Profit before Provisions	1,262	1,537	276	21.8%
Bad Debt Provisions	194	223	29	15.0%
Profit for the Period	1,068	1,314	246	23.1%

Panama: International Banking Center Profitability Indicators Years 2009 to 2011 (in percentage)

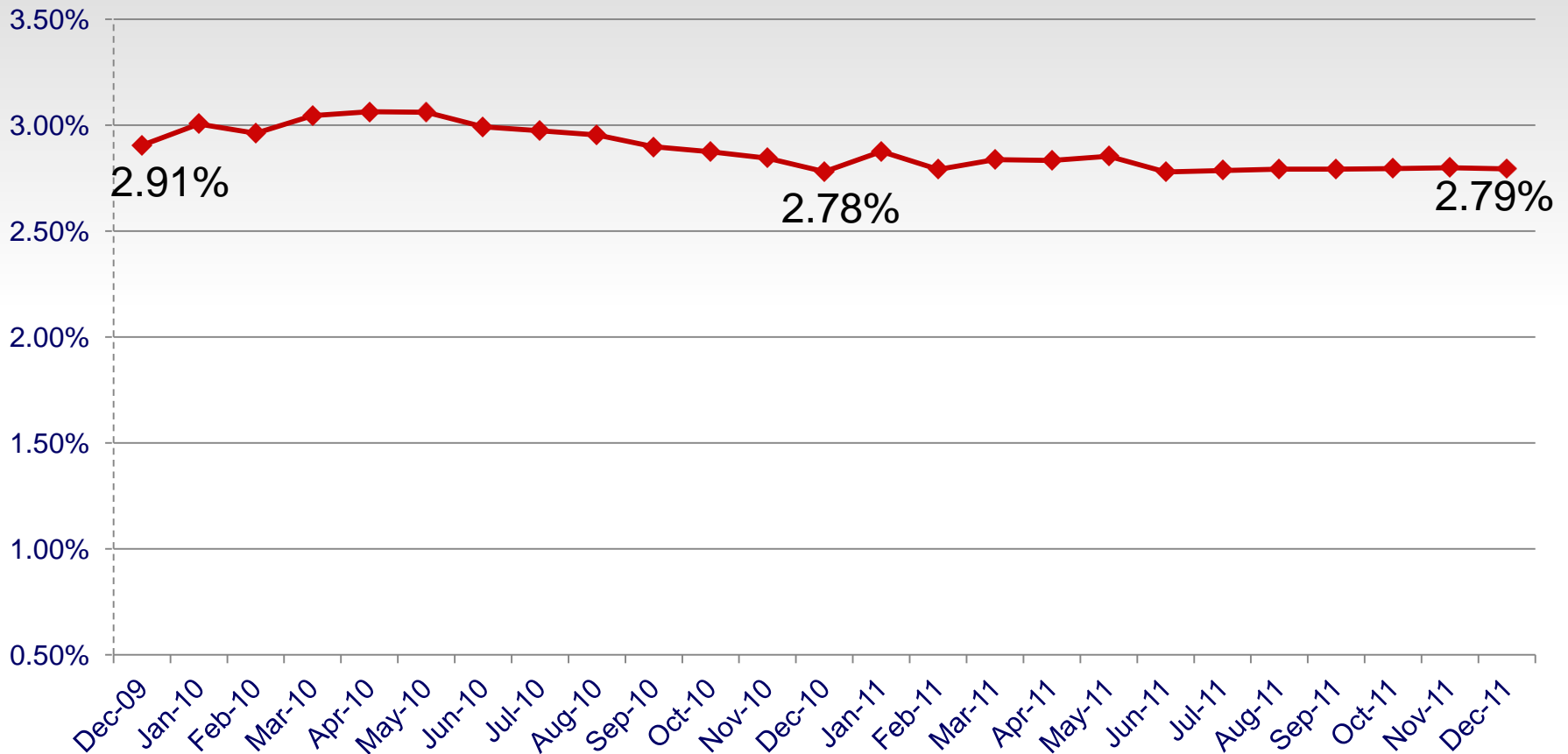
■ ROA



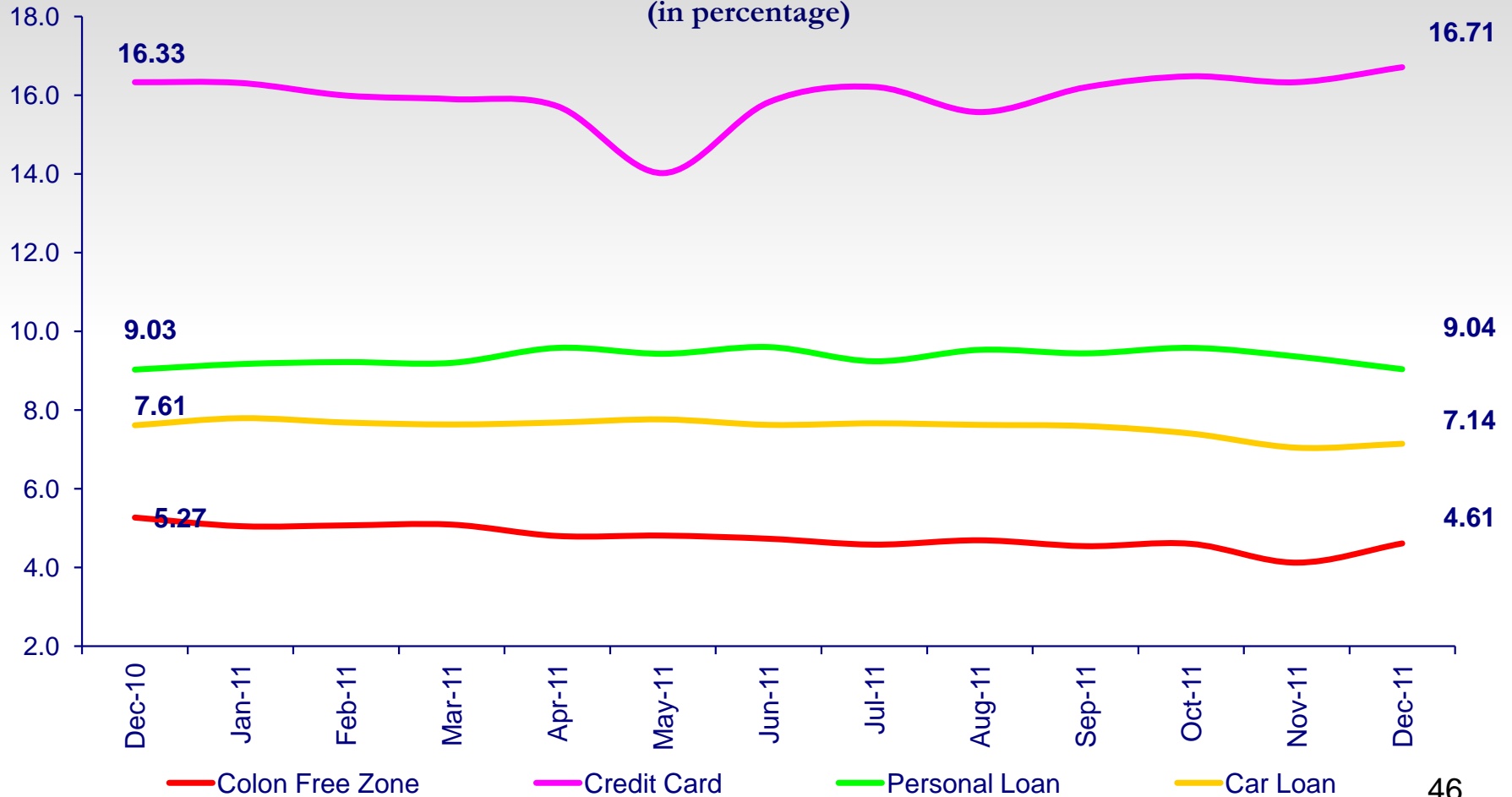
■ ROE



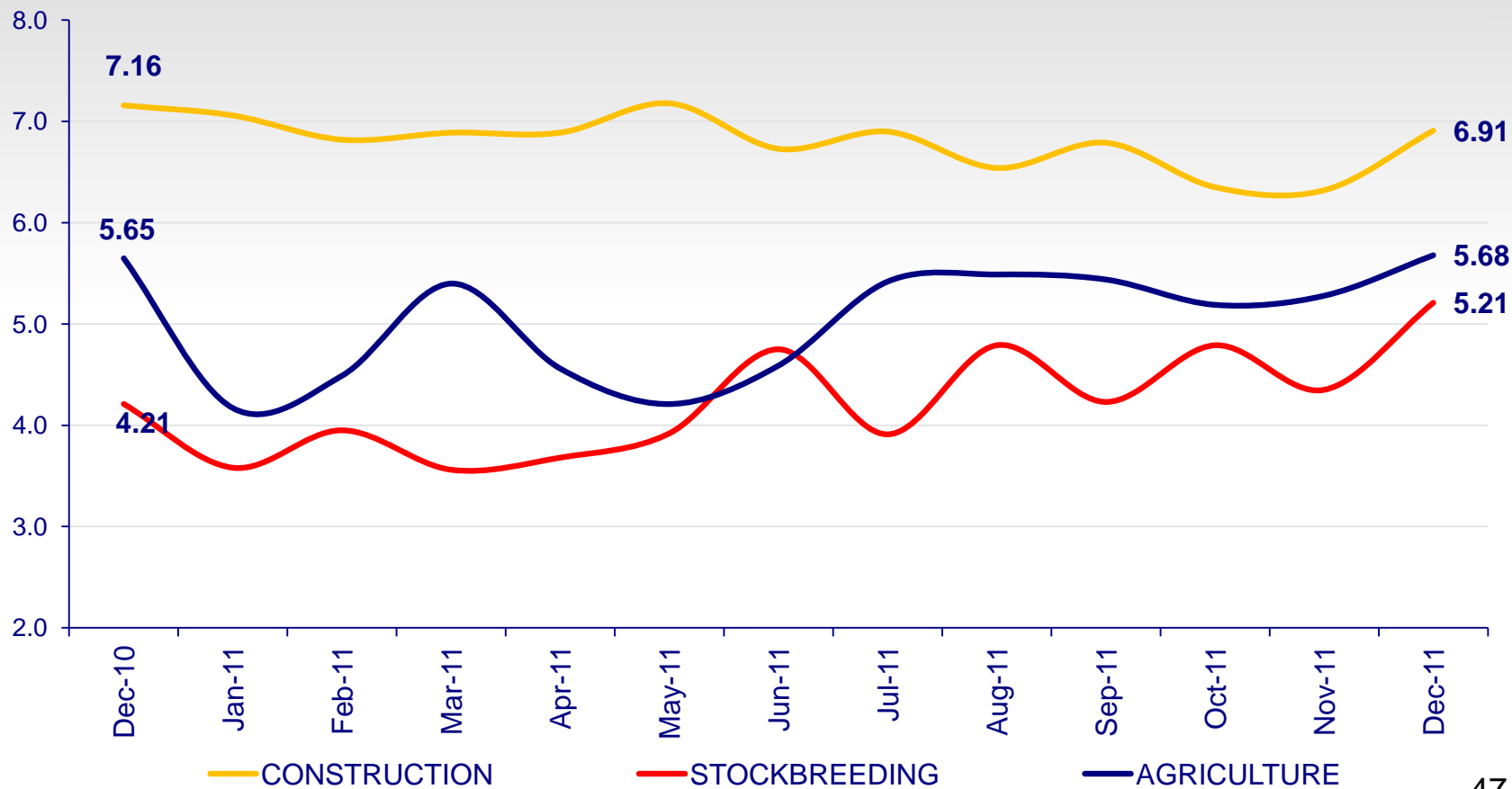
Panama: International Banking Center Net Interest Margin 2009-2011 , per month



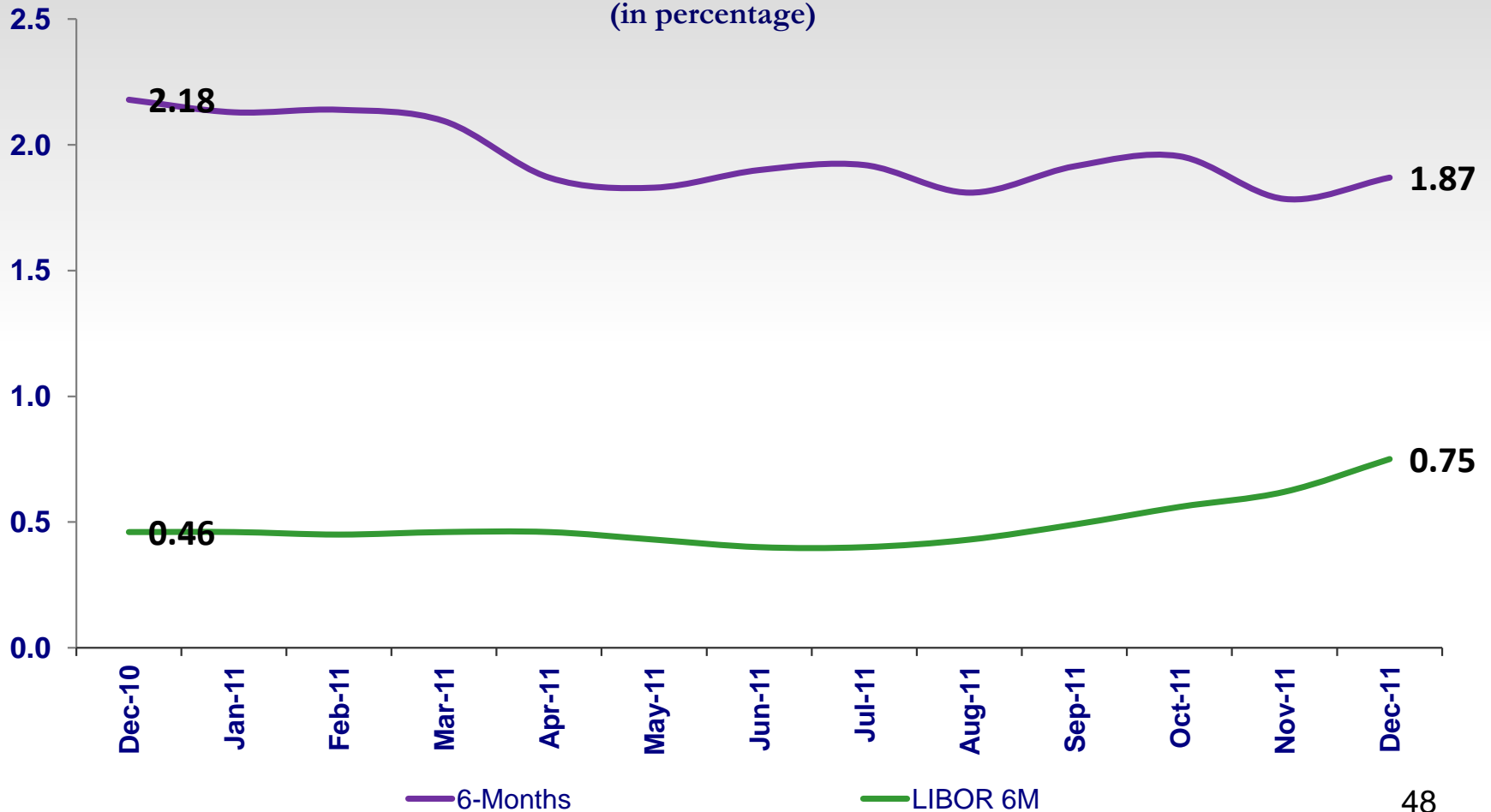
Panama: National Banking System Loan Interest Rates by Economic Sectors Period: Dec. 10 - Dec. 11 (in percentage)



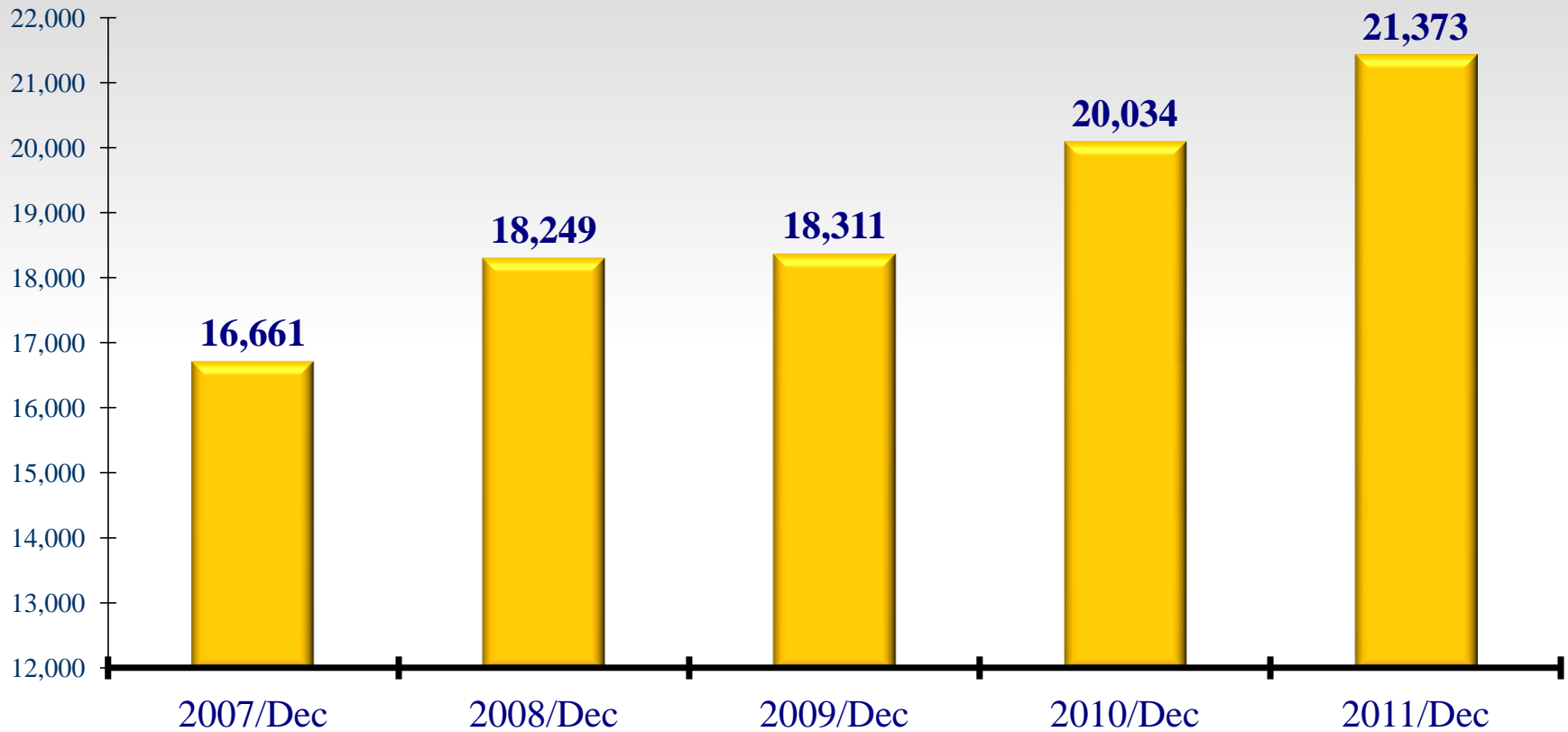
Panama: National Banking System
Loan Interest Rates by Economic Sectors
Period: Dec. 10 - Dec. 11
 (in percentage)



Panama: National Banking System
 Time Deposits Interest Rate
 Period: Dec. 10 - Dec. 11
 (in percentage)



Panama: International Banking Center Number of Employees



Panama: International Banking Center Number of Banks

General License	49
State-owned banks	2
Foreign banks	28
Panamanian private banks	19
International License	28
Representation License	14
Total IBC Banks	91