

**SUPERINTENDENCY OF BANKS OF PANAMA
FINANCIAL STUDIES DIVISION**

FOURTH QUARTER 2012

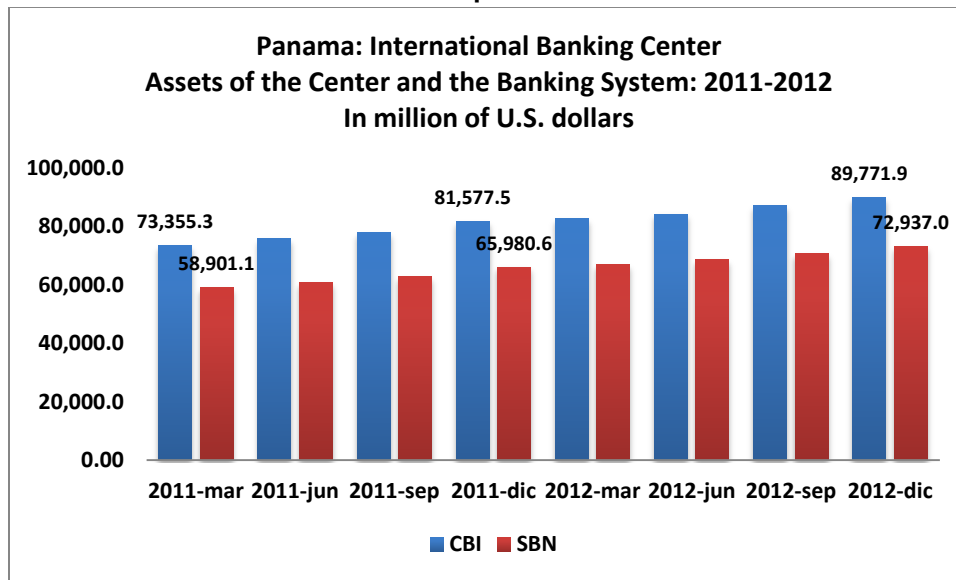
**BANKING ACTIVITY REPORT
FOURTH QUARTER 2012**

A. Performance of the International Banking Center

As of the end of 2012, International Banking Center (IBC) assets grew 10% compared to the same period in 2011, ending with a total of US\$89.78 billion. This increase was the result of credit growth, which at the same time, was the result of a dynamic economy.

The assets of the National Banking System (NBS) ended 2012 with a total of US\$72.94 billion, a 10% increase compared to 2011. In graphic 1 you can see the quarterly variation of IBC and NBS assets.

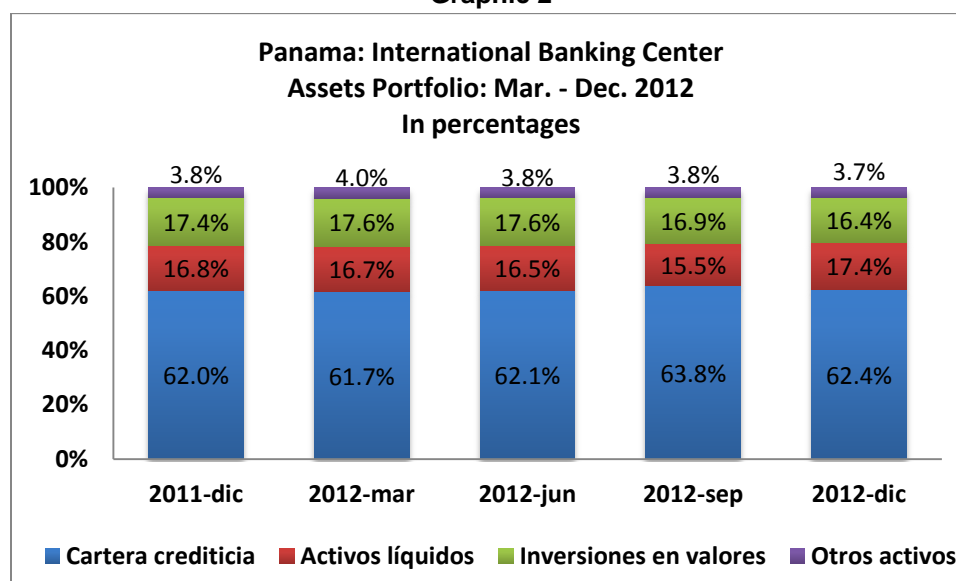
Graphic 1



The credit portfolio still has the greatest participation in assets, ending December 2012 with a 62.4% share, followed by liquid assets with 17.4% and securities investments with 16.4%. The next graphic shows the IBC's assets portfolio from December 2011 to December 2012 by quarter.

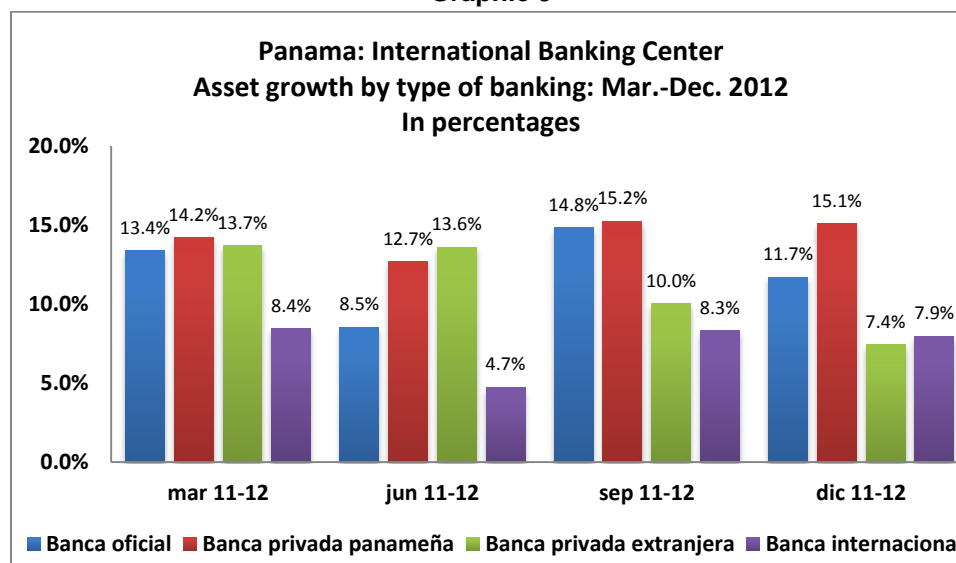
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Graphic 2



Classifying the IBC by type of banking, state-owned banking grew 11.7%, Panamanian private banking 15.1%, foreign private banking 7.4% and international banking 7.9% in 2012 compared to the same period in 2011. The following graphic details asset growth by type of banking per quarter for 2012, compared to 2011.

Graphic 3

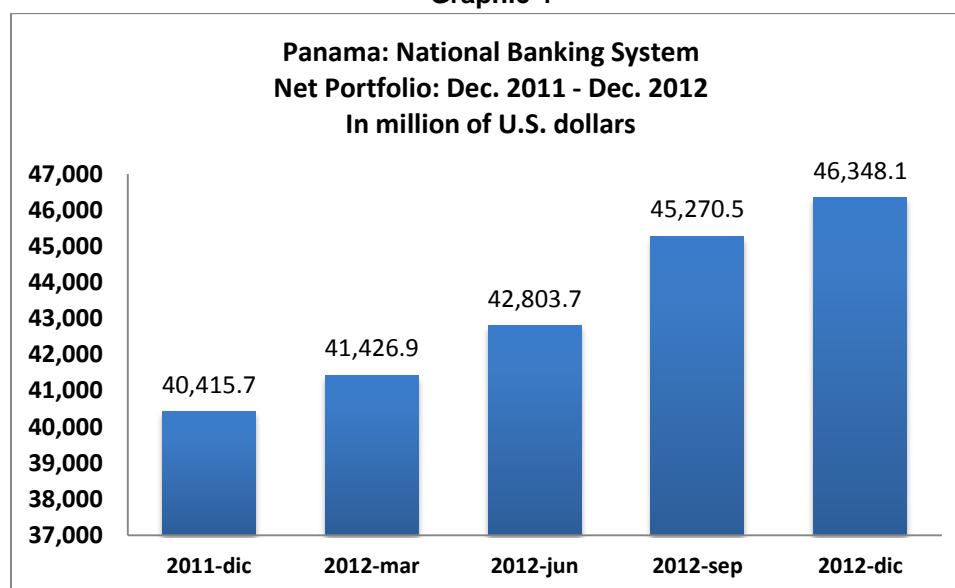


1. Credit Portfolio of the National Banking System (NBS)

As of the end of 2012, the NBS registered a net credit portfolio of US\$464.35 billion, including domestic and foreign credit. The graphic below shows the development of the net portfolio from December 2011 to December 2012, on a quarterly basis.

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Graphic 4



As of December 2012, domestic credit registered a total of US\$33.1 billion, a 14.2% increase compared to December 2011. This growth was influenced by increases in the commercial (22.7%) and mortgages (14.6%) sector, as shown in Table 1.

**Table 1
Panama: National Banking System
Total of Domestic Credit
In millions of U.S. dollars**

Sectors and Activities	Dec. 11	Dec. 12	Nov. 11 – Nov. 12 Var.	
			Total	%
TOTAL	28,993.1	33,095.7	4,102.6	14.2%
Public Sector	943.6	1182.5	238.9	25.3%
Private Sector	28,049.4	31,913.1	3,863.7	13.8%
Finance and Insurance Cos.	896.6	786.3	-110.3	-12.3%
Agriculture ¹	289.9	376.4	86.5	29.8%
Stockbreeding	685.0	756.3	71.3	10.4%
Fishing	44.6	56.0	11.4	25.5%
Mining and Quarrying	33.8	52.7	18.9	55.9%
Commerce ²	8,148.2	10,000.0	1851.7	22.7%
Industry	1,722.8	1,794.4	71.6	4.2%
Mortgages	7,711.7	8,839.5	1,127.8	14.6%
Construction	2,820.0	2,984.4	164.4	5.8%
Personal consumption	5,696.9	6,267.3	570.4	10.0%

Remarks:

¹ Including forestry

² Including tourism and services

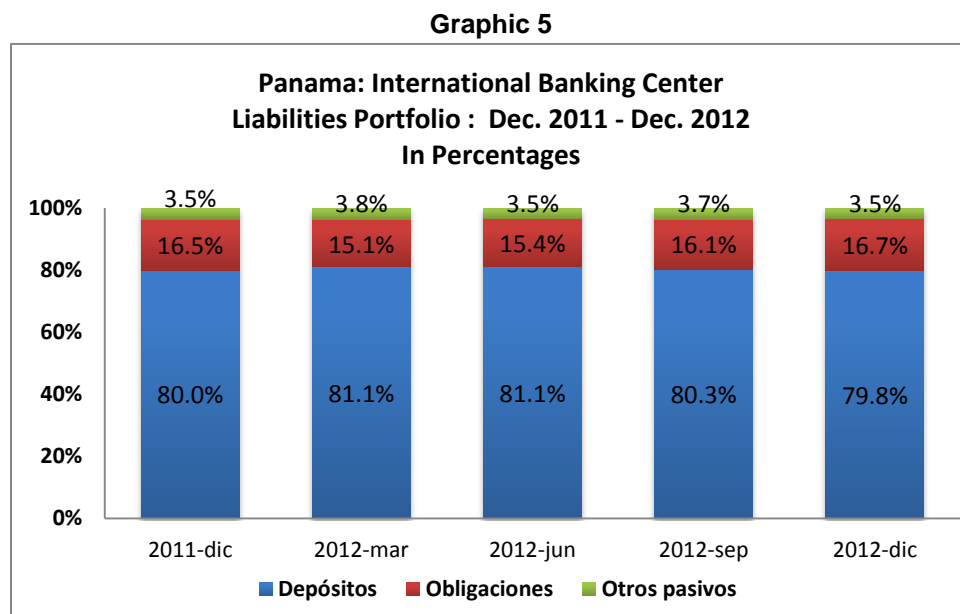
Source: General license banks

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As of the end of December 2012, the only sector that did not grow was the finance and insurance company sector, which decreased 12.3% compared to December 2011. The Commercial, mortgage and personal consumption sectors still represent over 75% of the domestic credit in the National Banking System.

2. Liabilities and Equity of the Banking Center

IBC liabilities ended December 2012 at US\$80.20 billion. These liabilities are composed of deposits (79.8%), obligations (16.7%) and other liabilities (3.5%). The liabilities portfolio from December 2011 to December 2012 on a quarterly basis is shown in the graphic below.



As of December 2012, total deposits in the IBC reached US\$64.1 billion, a 10.5% increase compared to December 2011.

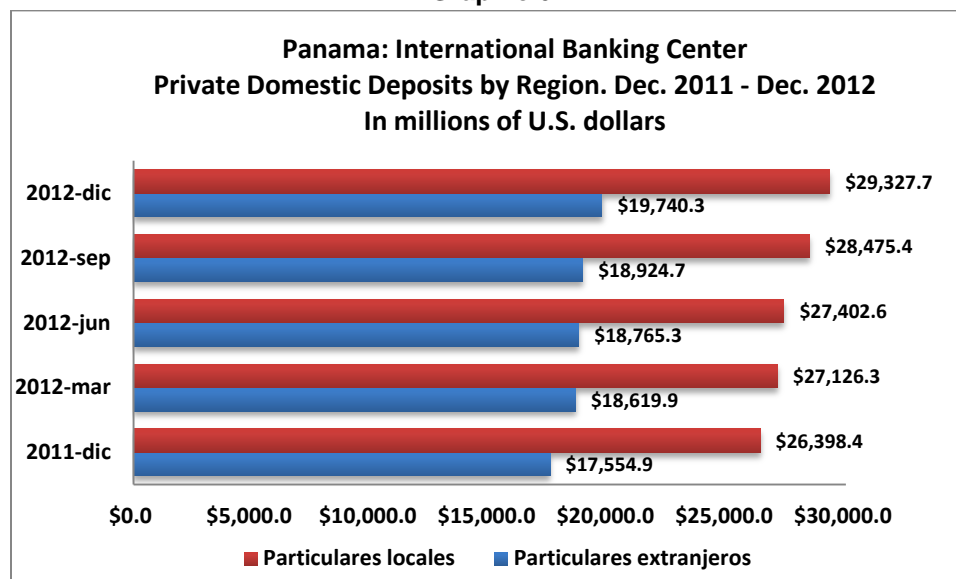
Domestic deposits stood at US\$37.55 billion, an 11.8% increase compared to the same period in 2011. For its part, foreign deposits reached US\$23.47 billion, 8.6% more than in December 2011.

Private deposits are still the IBC's main source of funding. As of December 2012, private domestic deposits reached US\$29.33 billion, an 11.1% increase compared to 2011, primarily driven by demand deposits (13.5%), time deposits (10.4%) and savings account deposits (10.3%).

With regard to foreign private deposits, those ended December at US\$19.75 billion. The graphic below shows private domestic and foreign deposits from December 2011 to December 2012 on a quarterly basis.

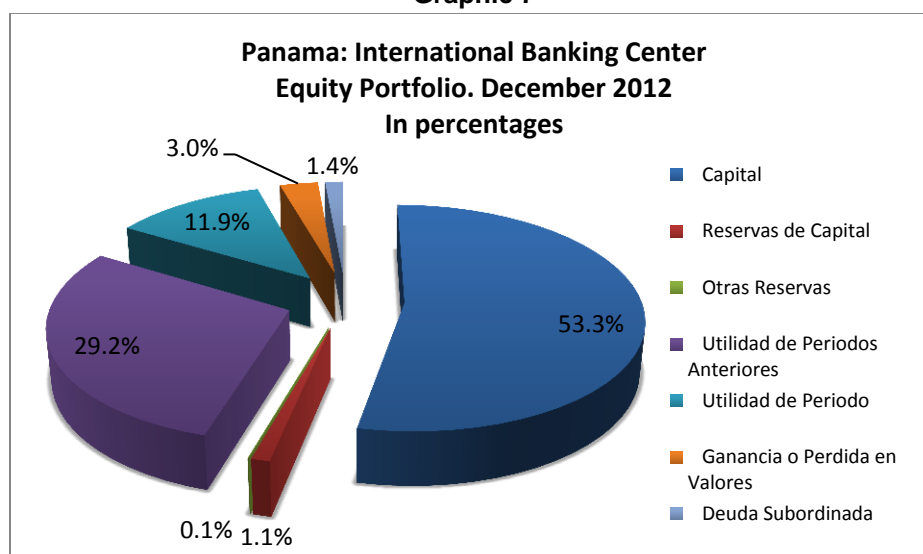
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Graphic 6



As of the end of December 2012, the IBC had US\$9.58 billion in equity, increasing 4.9% compared to December 2011. The Equity portfolio is composed mainly of capital (53.3%), followed by profit for previous periods(29.2%). Graphic 7 breaks down the equity portfolio for December 2012.

Graphic 7



3. Financial performance of the IBC

Net profit as of December 2012 reached US\$1.49 billion, a 14.3% increase (US\$185.2 million) compared to the same period in 2011. This growth is explained by income from the

TRANSLATION

credit portfolio (11.6%) and interbank deposits (8.8%). Table 2 compares the December 2011 and December 2012 income statements.

Table 2
Panama: International Banking Center
Income Statement
In millions of U.S. dollars

Account Description	2011	2012	12-month Variation	
	Jan.-Dec.	Jan.-Dec.	Total	%
Interest income	3,447.5	3,775.2	327.7	9.5%
Loans	2,937.6	3,277.8	340.2	11.6%
Deposits	48.9	53.2	4.3	8.8%
Investment	422.4	422.0	-0.4	-0.1%
Financial Leasing	18.3	14.1	-4.2	-22.9%
Other income	20.3	8.1	-12.2	-60.2%
Other expenses	1,759.3	1,944.7	185.4	10.5%
Net Interest Income	1,688.2	1,830.5	142.3	8.4%
Other Income	1,672.0	1,871.1	199.1	11.9%
Operating Income	3,360.2	3,701.6	341.4	10.2%
General Expenses	1,850.2	2,000.9	150.7	8.1%
Profit before provisions	1,510.0	1,700.7	190.7	12.6%
Bad debt provisions	214.2	219.7	5.5	2.6%
Profit for the period	1,295.8	1,481.0	185.2	14.3%

The return on assets (ROA) stood at 1.88%, an increase over the 1.69% registered in December 2011. For its part, the return on equity (ROE) reached 14.76%, higher than the 14.10% registered in December 2011. The next table breaks down December 2011 to December 2012 ROA and ROE by quarters.

Table 3
Panama: National Banking System
Profitability Indicators. In percentages

NBS	2011-Dec	2012-Mar	2011-Jun	2012-Sep	2012-Dec
ROA	1.69	2.03	1.89	1.87	1.88
ROE	14.10	16.83	13.76	13.58	14.76

As of December 2012, Equity funds represented an average of 16.2% of assets weighted by risk, well above the 8% required by the legal framework. The capital adequacy index substantiates the stability and soundness of the IBC.

As of December 2012, the monthly average liquidity of the NBS stood at 65.5% — higher than the 30% required by law. At the same time, the liquidity index stood at 83.6% for State-owned banking, 69.5% for Foreign Private Banking and 50.8% for State-owned banking.

Table 4 shows the liquidity index and the capital adequacy index from December 2011 to December 2012 by quarters.

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Table 4
Panama: National Banking System
Liquidity and Capital Adequacy Indicators. In percentages

NBS	2011-Dec	2012-Mar	2011-Jun	2012-Sep	2012-Dec
Liquidity index	66.0	66.6	65.4	63.4	65.5
Capital adequacy index	15.6	16.4	16.5	16.1	16.2

As of the end of December 2012, the IBC had 22,500 employees, increasing 5.1% compared to December 2011. The graphic below shows the total employees of the IBC by quarters for 2012.

Graphic 9

