

# TRANSLATION

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## Superintendency of Banks of Panama

### Press Release

The Panamanian media (*Martes Financiero* and *La Prensa* dated 23 and 25 November 2004, respectively) have published news regarding an award ceremony held by the magazine ***América Economía***, during the recent installation of the new Board of Directors of the Latin American Banking Federation (FELABAN, for its acronym in Spanish). The award is based on a ranking of the best-performing banks in Central America using a methodology developed by the magazine itself. The magazine considers Panamanian banks leaders in the region, but with "regulatory difficulties, because they are not required to report their delinquent portfolio, a key indicator in assessing credit risk" (emphasis added).

This remark has no basis in fact and could lead to erroneous conclusions about the quality of regulation and supervision in the Panamanian banking system, especially when presented at an event as important as the FELABAN Installation. This reflects a lack of rigor in the methodology used by the technical staff of ***América Economía***, because the Superintendency of Banks of Panama has not received any correspondence from the magazine asking for clarification or explanation on the erroneous conclusion they reached.

As is well known, in 2000 the Superintendency of Banks published a regulation on loan classification (Rule 6-2000) that governs all banks in the Panamanian banking system. This regulation, as all others approved by the Superintendency, is posted on our website [www.superbancos.gob.pa](http://www.superbancos.gob.pa), and compliance is mandatory. This Rule establishes clear parameters, based on best international standards, for the classification of loans in different categories, required provisions, the interest suspension regime, as well as the criteria for defining loan portfolio profiles - i.e. when a loan is considered past due or delinquent. As you can see, it was totally incorrect to state that the banks operating in Panama are not required to report their delinquent portfolio. there

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are clear, current parameters that define the reports, and these are an integral part of the supervision of banks in the Panamanian banking system.

The information on the quality of portfolios (balance of delinquent loans and provisions), individually for all banks and consolidated by the type of banking, has been posted on our website since 2000. The disclosure, under the title "Bank Letters," is made quarterly and includes a historical summary of the main financial indicators, portfolio quality, liquidity, performance, equity, efficiency, balance sheets, and income statements. This information is provided to Multilateral Organizations (IMF, IDB and WB) and Credit Rating Agencies (S&P, Fitch, Moody's). It is also used by other international publications specializing in banking and financial issues, to develop their rankings of regional banks. We can mention the magazines **Latin Finance**, **Estrategia y Negocios**, and **SUMMA**, which acting professionally, request the necessary clarifications from this institution to maintain consistency and rigor in their methodologies.

This is not the first time that **América Economía** magazine has published major inaccuracies on our banking system. We stand ready to provide any clarification needed to permit them to report more objectively on the Panamanian banking system.

26 November 2004

Delia Cardenas  
Superintendent