

TRANSLATION



SUPERINTENDENCY OF BANKS OF PANAMA

3 March 2006

Superintendency of Banks of Panama and Audit Firms analyze the implementation of accounting standards

Representatives of audit firms KPMG and PriceWaterhouse met with senior executives of the Superintendency of Banks of Panama (SBP) to analyze the scope of Circular 1-2006 on International Financial Reporting Standards (IFRS) and the submission of bank financial statements.

On January 3, 2006, the SBP issued a circular to the General Managers of Banks indicating that the Audited Financial Statements and Explanatory Notes that banks must submit for the 2004 – 2005 fiscal period must comply at all times with the provisions of Rules 6-2000 and 7-2000.

The circular clarifies that the SBP is making the required changes to the above Rules, to adapt them to the new IFRS framework while taking accounting and prudential criteria into account. Nevertheless, the SBP will not view as noncompliance a bank's failure to adjust to the new system in instances where there are discrepancies with current prudential rules, such as in the determination of required provisions or in the rules for the suspension of interests, among others.

Based on the above, the senior executives of the SBP explained to the representatives of the audit firms that while, in accordance with international standards, banks are being required to adopt the IFRS as the accounting framework for submitting financial statements. there will be regulations that will provide a prudential regulatory framework with which banks will have to strictly comply.