



2014 Performance of the Banking Center

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Secretary General

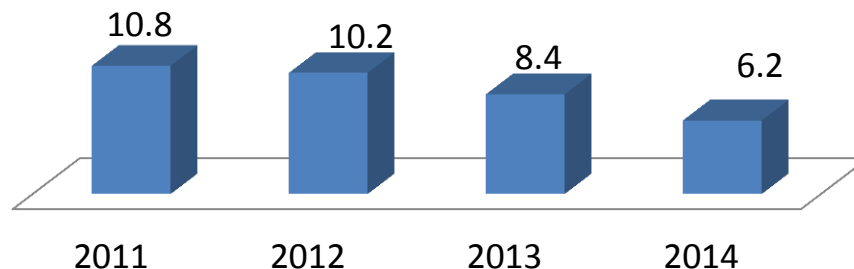
- Economic environment and Strategic Plan Pillars
- 2014 Performance of the Banking Center
- Institutional Issues and Challenges
- Regulatory Road Map.

Economic Environment and Strategic Plan Pillars

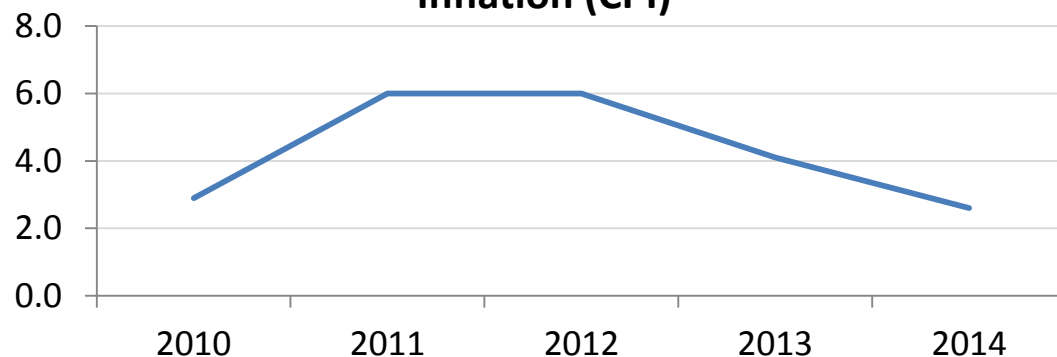
Economic Context

- ✓ Stable economic fundamentals. GDP grew 6.2% in real terms; inflation, 2.6%; unemployment, 5.1%; NFPS Deficit, 4% of GDP.
- ✓ Favorable economic perspectives. Although the fiscal position has a slightly unfavorable impact, its short- and medium-term management does not appear to impact economic performance.
- ✓ Source of growth came from:
 - ✓ Exports of goods and services such as transportation, finance sector, tourism, Panama Canal activities and agricultural products.
 - ✓ Consumption and investment: wholesale and retail, construction, electricity.

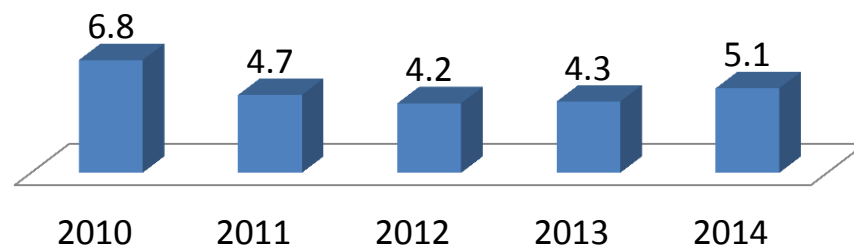
Panama: Real Economic Growth



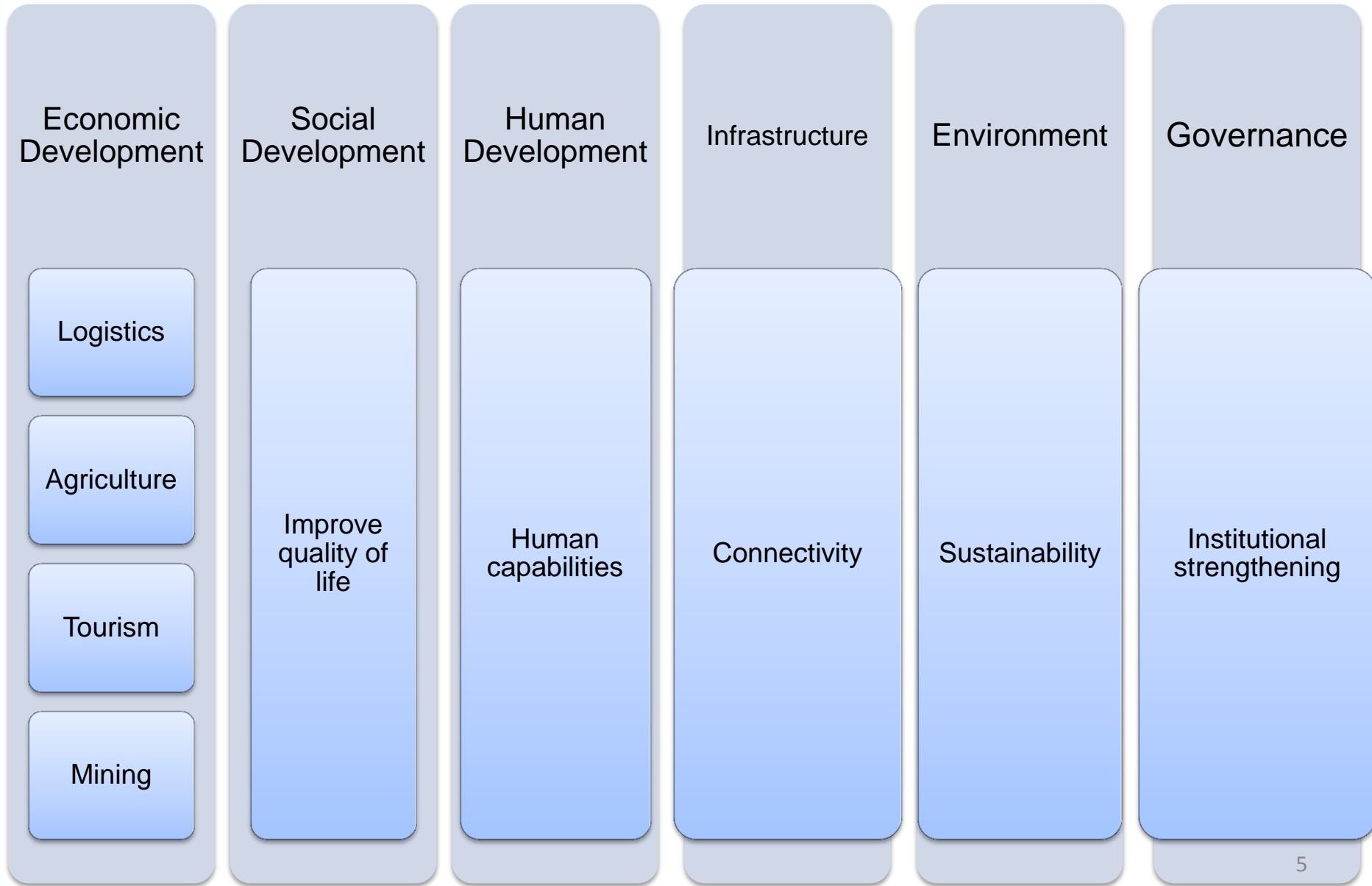
Inflation (CPI)



Unemployment



Panama: Economic Plan Pillars for 2015 - 2019



2014 Performance of the Banking Center

Equity

Sound capacity for generating equity

- Capital adequacy index on risk assets of 14.8%
- Anticyclical provisions are introduced to reinforce soundness of the System

Liquidity

Stable funding base

- Current stability of international interest rates favors the liquidity of the System.

Credit

Domestic credit with healthy indicators and collateral.

- Total delinquency (30+ days) of Domestic credit is 2.6%

Growth

Normal for the economic cycle

Profitability

Good capacity for generating income.

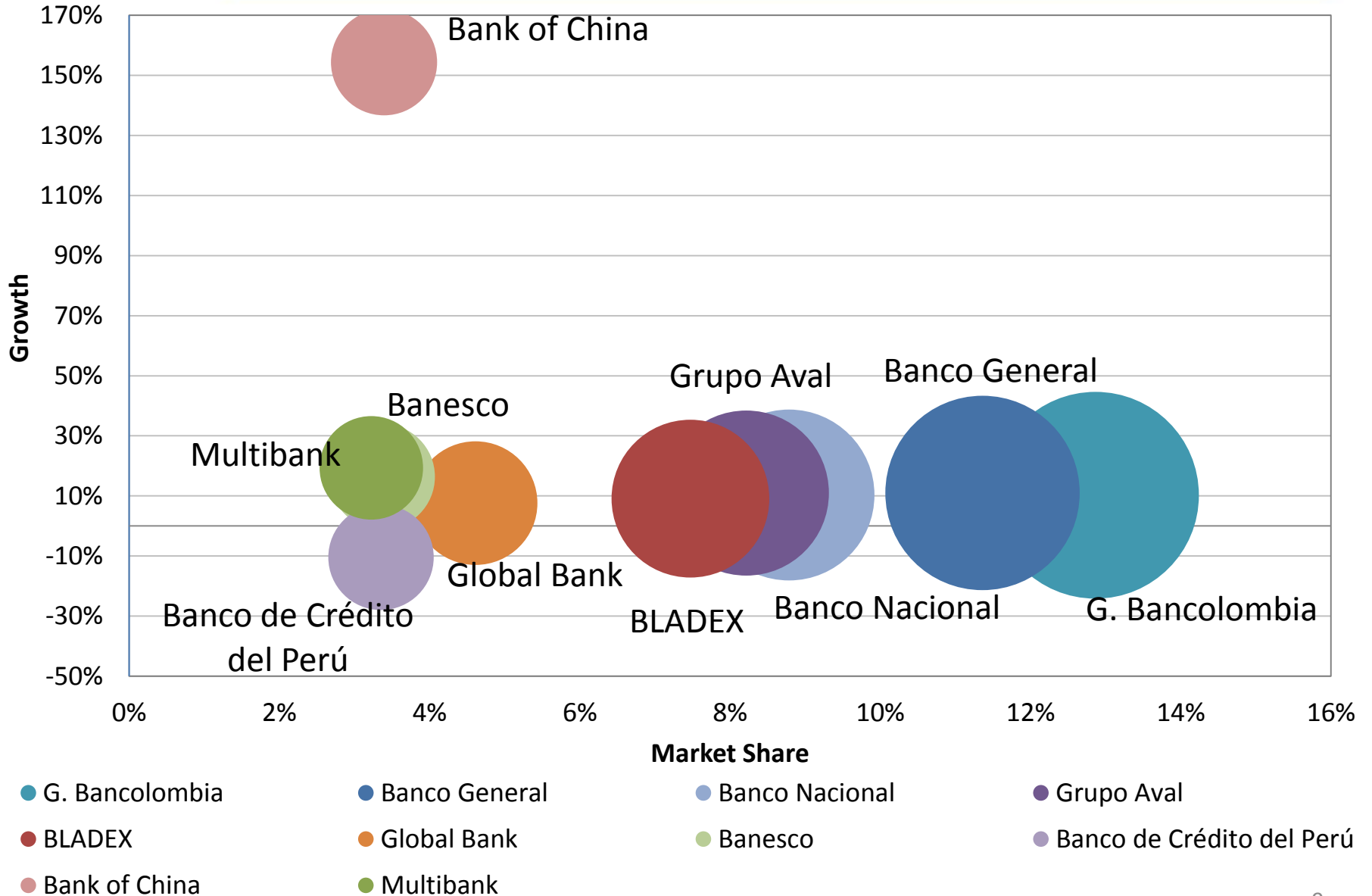
- Efficiency of 1.8 for income over operating expenses.

Panama: Balance Sheet of the Banking Center and Banking System (in millions of USD)

| Banking Center | 2013 | 2014 | 2014 /2013 % Var. | Average Balance | | 2014 /2013 % Var. |
|-----------------------|---------------|----------------|----------------------|-----------------|----------------|----------------------|
| | December | December | | 2013 | 2014 | |
| Liquid assets | 17,322 | 21,346 | 23.2% | 16,091 | 18,793 | 16.8% |
| Loan portfolio | 60,612 | 66,040 | 8.9% | 60,227 | 63,305 | 5.1% |
| Securities investment | 16,245 | 17,594 | 8.3% | 15,376 | 17,069 | 11.0% |
| Other assets | 3,743 | 3,681 | -1.6% | 3,403 | 3,484 | 2.4% |
| Total assets | 97,922 | 108,661 | 10.9% | 95,097 | 102,651 | 7.9% |
| Deposits | 70,110 | 78,163 | 11.4% | 68,602 | 73,988 | 7.9% |
| Obligations | 14,978 | 16,361 | 9.2% | 13,690 | 15,045 | 9.9% |
| Other liabilities | 2,827 | 2,766 | -2.1% | 2,873 | 2,844 | -1.0% |
| Equity | 10,007 | 11,371 | 13.6% | 9,931 | 10,774 | 8.5% |

| Banking System | 2013 | 2014 | 2014 /2013 % Var. | Average Balance | | 2014 /2013 % Var. |
|-----------------------|---------------|---------------|----------------------|-----------------|---------------|----------------------|
| | December | December | | 2013 | 2014 | |
| Liquid assets | 14,193 | 17,560 | 23.7% | 12,697 | 15,137 | 19.2% |
| Loan portfolio | 49,798 | 55,453 | 11.3% | 49,924 | 52,553 | 5.3% |
| Securities investment | 12,820 | 13,975 | 9.0% | 12,307 | 13,584 | 10.4% |
| Other assets | 3,362 | 3,208 | -4.5% | 2,929 | 3,045 | 3.9% |
| Total assets | 80,173 | 90,196 | 12.5% | 77,857 | 84,319 | 8.3% |
| Deposits | 59,487 | 67,052 | 12.7% | 58,504 | 62,981 | 7.7% |
| Obligations | 10,100 | 11,621 | 15.0% | 8,675 | 10,147 | 17.0% |
| Other liabilities | 2,616 | 2,449 | -6.3% | 2,641 | 2,603 | -1.4% |
| Equity | 7,970 | 9,074 | 13.8% | 8,037 | 8,588 | 6.9% |

IBC: 12-month Percentage Asset Growth and Market Share

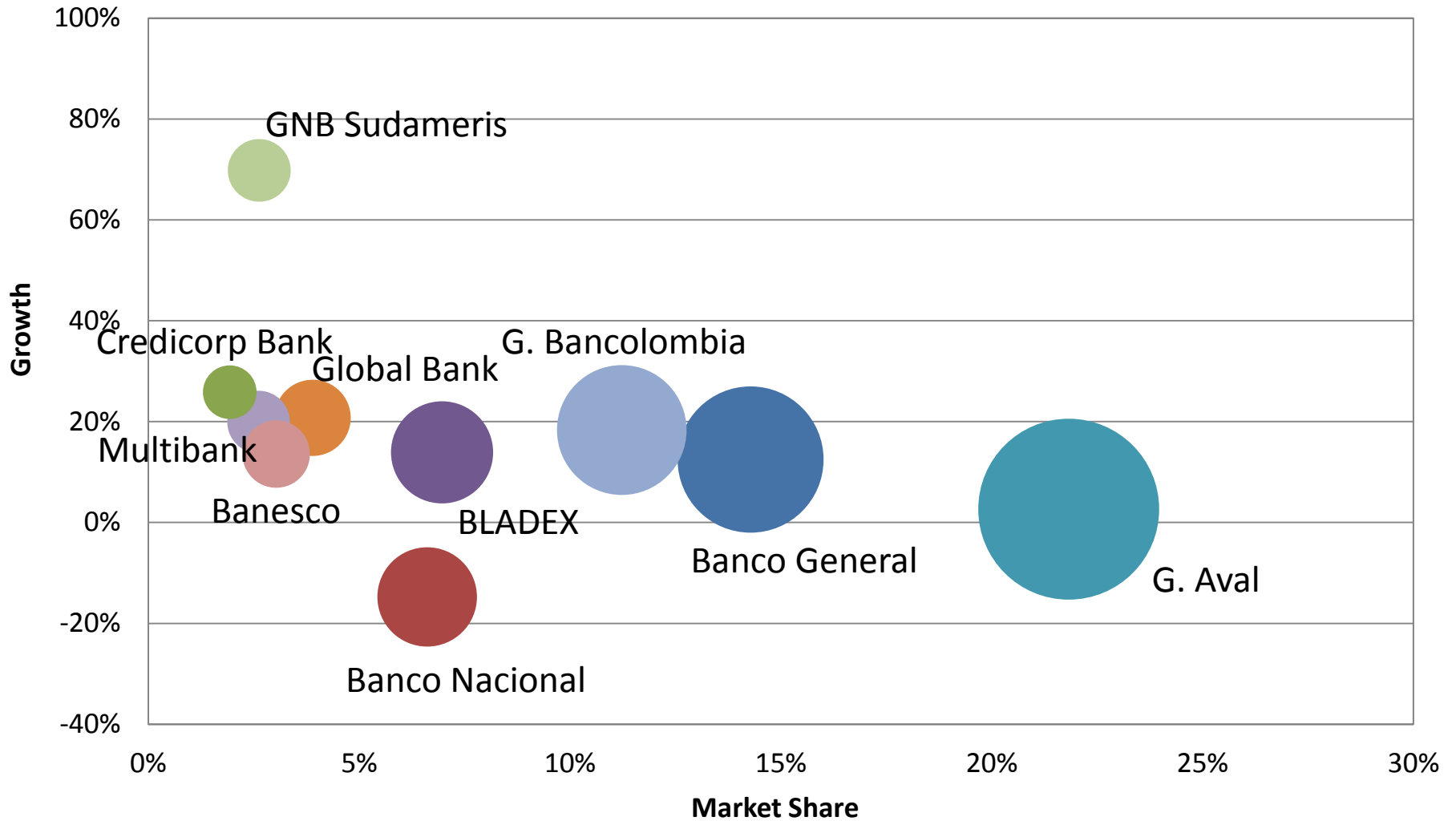


Panama: Income Statement of the Banking Center and Banking System

| Banking Center | Jan. – Dec. 2013 | Jan. – Dec. 2014 | 2014/ 2013 % Var. |
|--------------------------|------------------|------------------|-------------------|
| Net interest income | 1,982 | 2,147 | 8.3% |
| Other income | 1,876 | 1,889 | 0.7% |
| Operating income | 3,858 | 4,036 | 4.6% |
| General expenses | 2,182 | 2,219 | 1.7% |
| Income before provisions | 1,676 | 1,817 | 8.4% |
| Provisions expenses | 255 | 268 | 5.1% |
| Income | 1,421 | 1,549 | 9.0% |

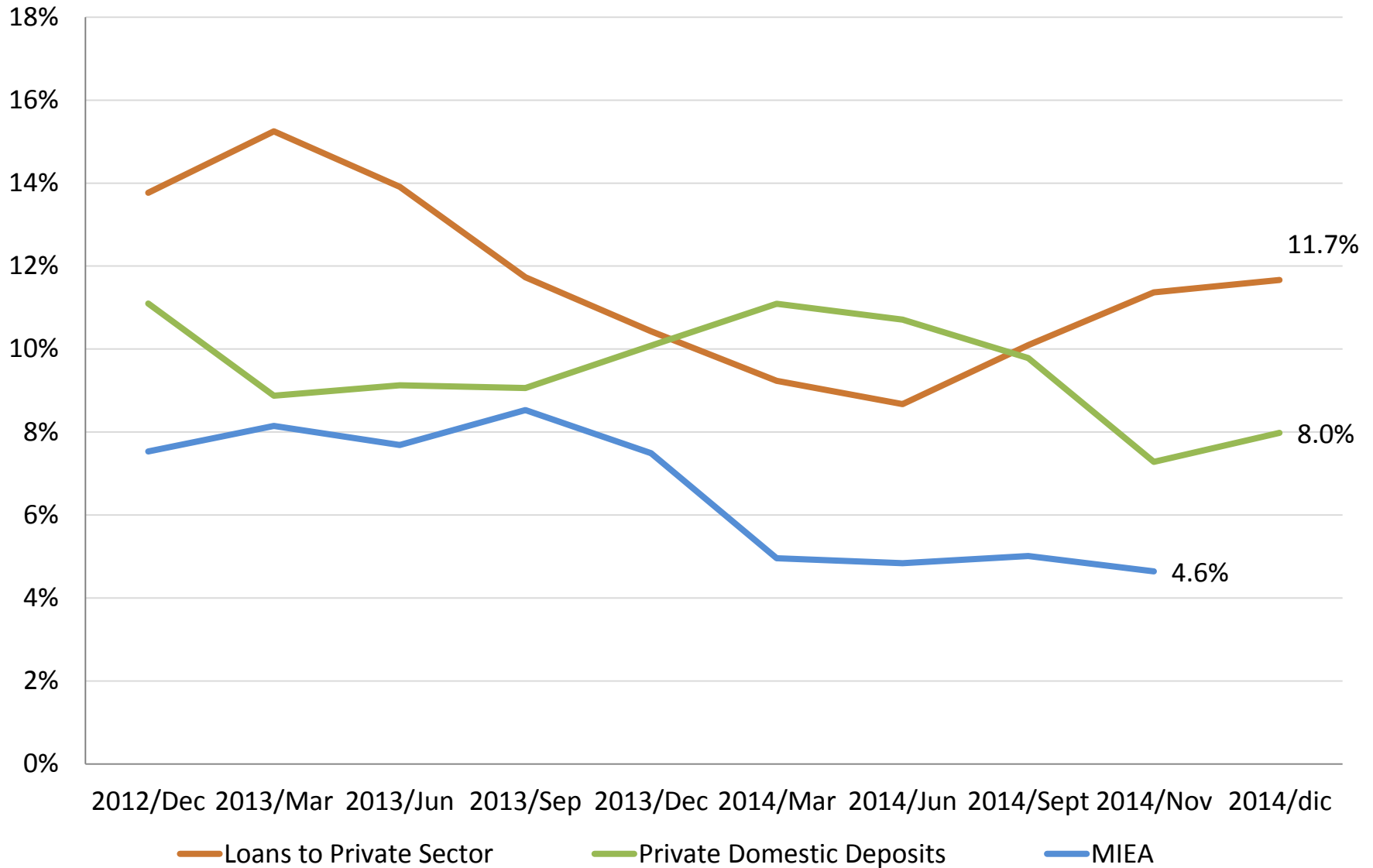
| Banking System | Jan. – Dec. 2013 | Jan. – Dec. 2014 | 2014/ 2013 % Var. |
|--------------------------|------------------|------------------|-------------------|
| Net interest income | 1,811 | 1,965 | 8.5% |
| Other income | 1,466 | 1,485 | 1.3% |
| Operating income | 3,277 | 3,450 | 5.3% |
| General expenses | 1,964 | 1,927 | -1.9% |
| Income before provisions | 1,313 | 1,523 | 16.0% |
| Provisions expenses | 226 | 246 | 8.8% |
| Income | 1,087 | 1,277 | 17.5% |

IBC: Percentage Growth of Profitability and Market Share



- G. Aval
- Banco General
- G. Bancolombia
- BLADEX
- Banco Nacional
- Global Bank
- GNB Sudameris
- Multibank
- Banesco
- Credicorp Bank

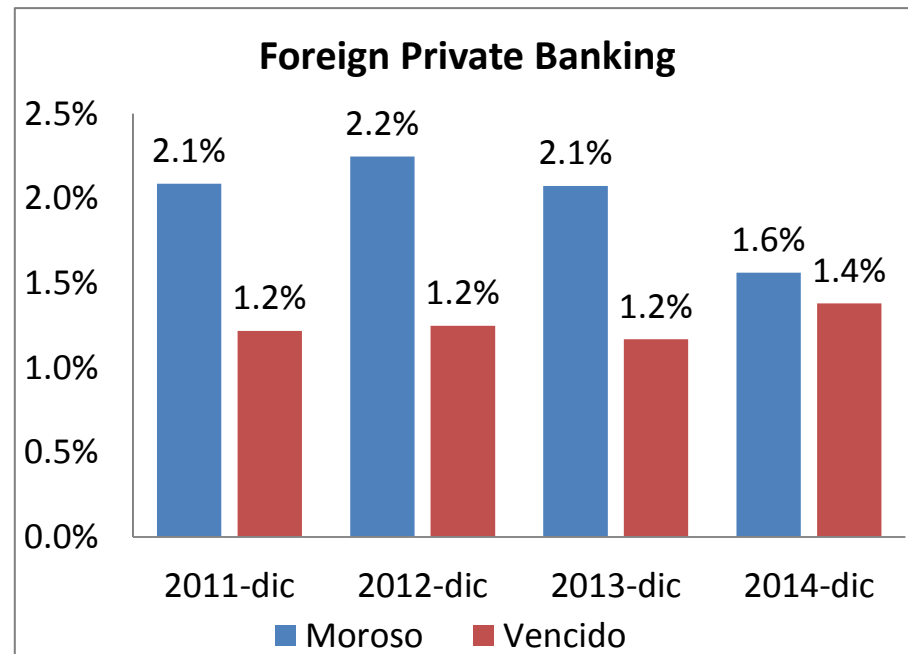
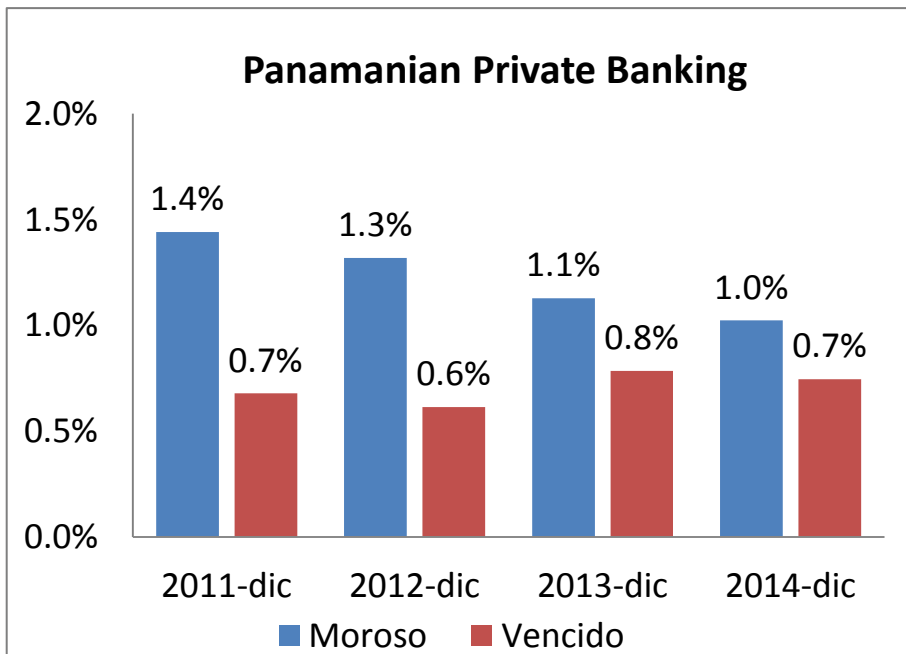
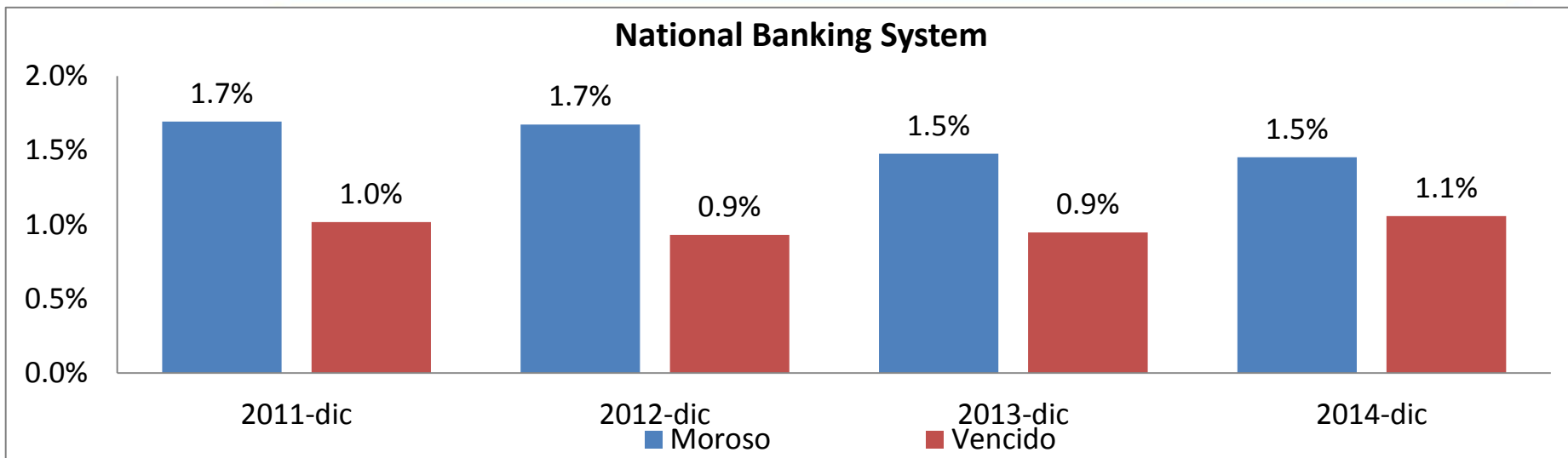
NBS: 12-month Percentage Variation of Private Sector Loans and Deposits Quarterly: Dec. 2012 – Dec. 2014



NBS: Balance of Domestic Loans to the Private Sector (in millions of USD)

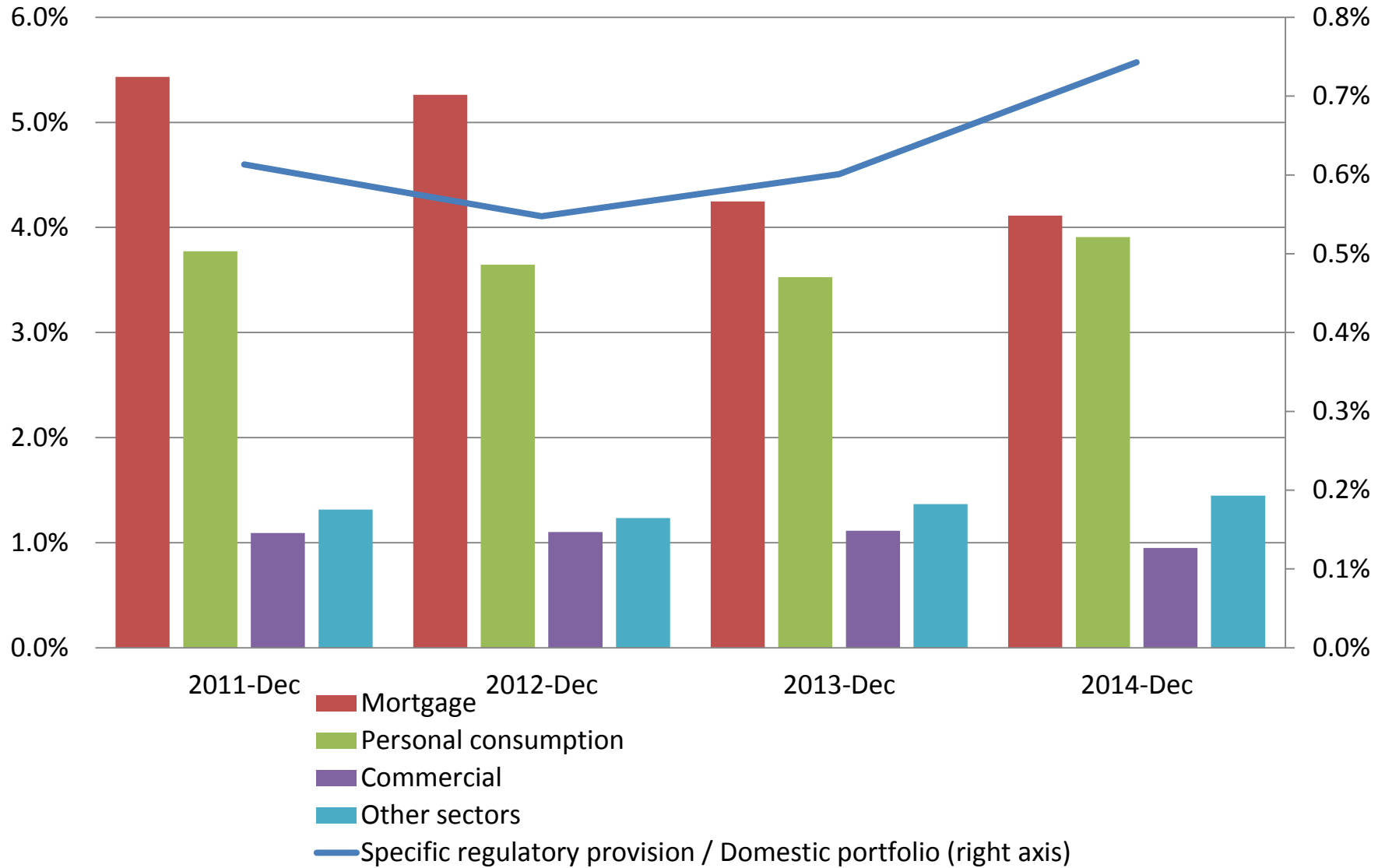
| Description | | | Dec. 14 / Dec. 13 Var. | |
|---------------------------------|---------|---------|------------------------|--------|
| | Dec. 13 | Dec. 14 | Total | % |
| TOTAL | 37,061 | 40,352 | 3,291 | 8.9% |
| Public sector | 1,822 | 998 | -824 | -45.2% |
| Private sector | 35,239 | 39,354 | 4,115 | 11.7% |
| Commerce | 10,313 | 10,959 | 646 | 6.3% |
| Colon Free Zone | 2,598 | 2,461 | -137 | -5.3% |
| Wholesale | 1,903 | 1,637 | -266 | -13.9% |
| Retail | 1,787 | 2,227 | 440 | 24.6% |
| Services | 4,025 | 4,634 | 609 | 15.1% |
| Residential mortgages | 8,814 | 9,957 | 1,143 | 13.0% |
| Preferential Interest rates | 3,079 | 3,572 | 493 | 16.0% |
| From 0 - 40,000 | 1,287 | 1,176 | -111 | -8.6% |
| From 40,000.01 - 80,000 | 1,603 | 1,910 | 307 | 19.2% |
| From 80,000.01 - 120,000 | 189 | 486 | 297 | 157.1% |
| Non-preferential interest rates | 5,735 | 6,385 | 650 | 11.3% |
| Commercial mortgages | 1,218 | 1,414 | 196 | 16.1% |
| Construction | 3,697 | 4,450 | 753 | 20.4% |
| Personal consumption | 7,110 | 7,894 | 784 | 11.0% |
| Personal loans | 4,917 | 5,329 | 412 | 8.4% |
| Car loans | 962 | 1,165 | 203 | 21.1% |
| Credit card | 1,231 | 1,400 | 169 | 13.7% |
| Agriculture | 1,351 | 1,479 | 128 | 9.5% |
| Others | 2,736 | 3,201 | 465 | 17.0% |

NBS: Domestic Credit Quality Indicators



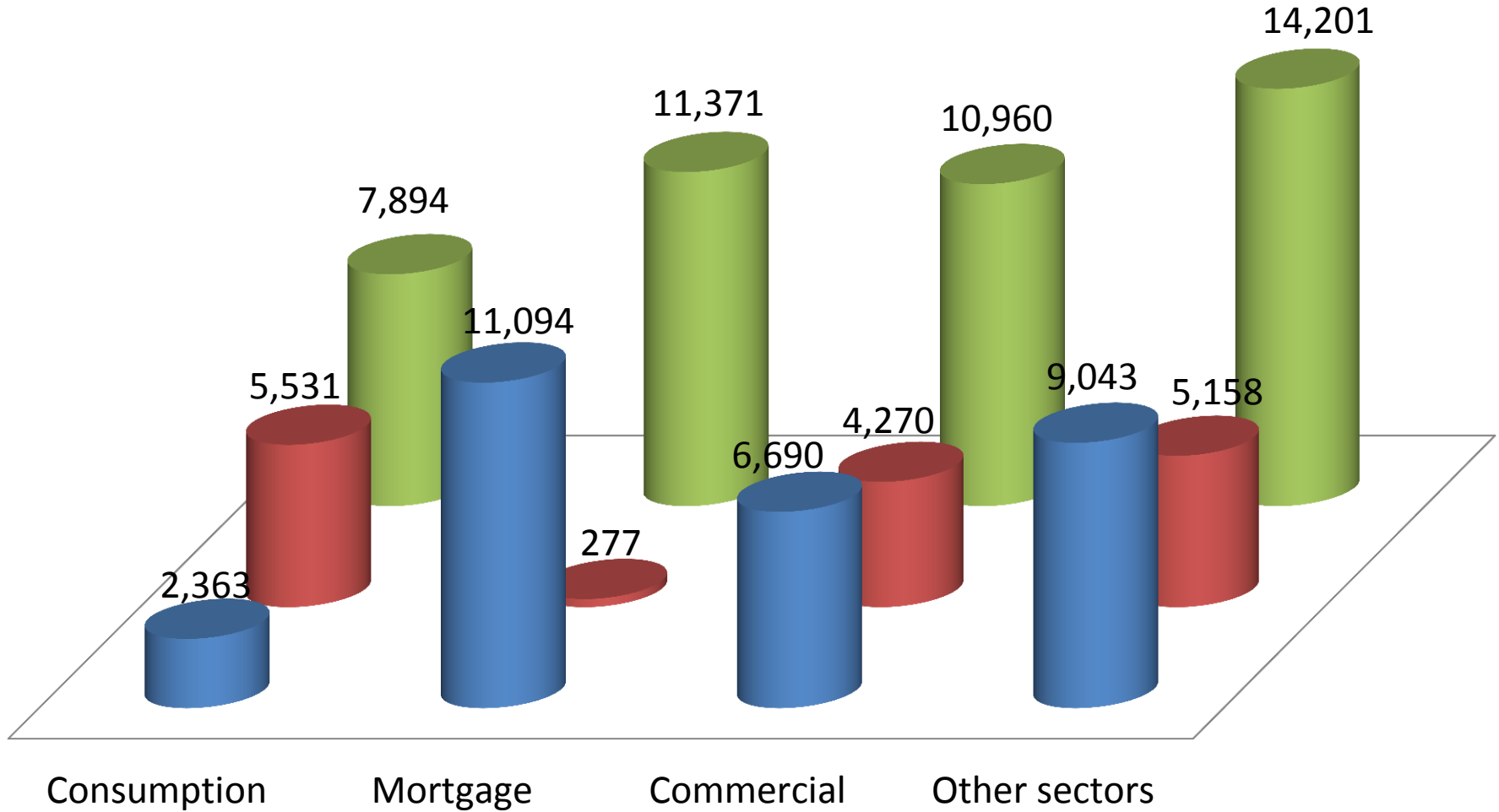
NBS: Domestic Loan Quality Indicators by Sector

(in percentages)

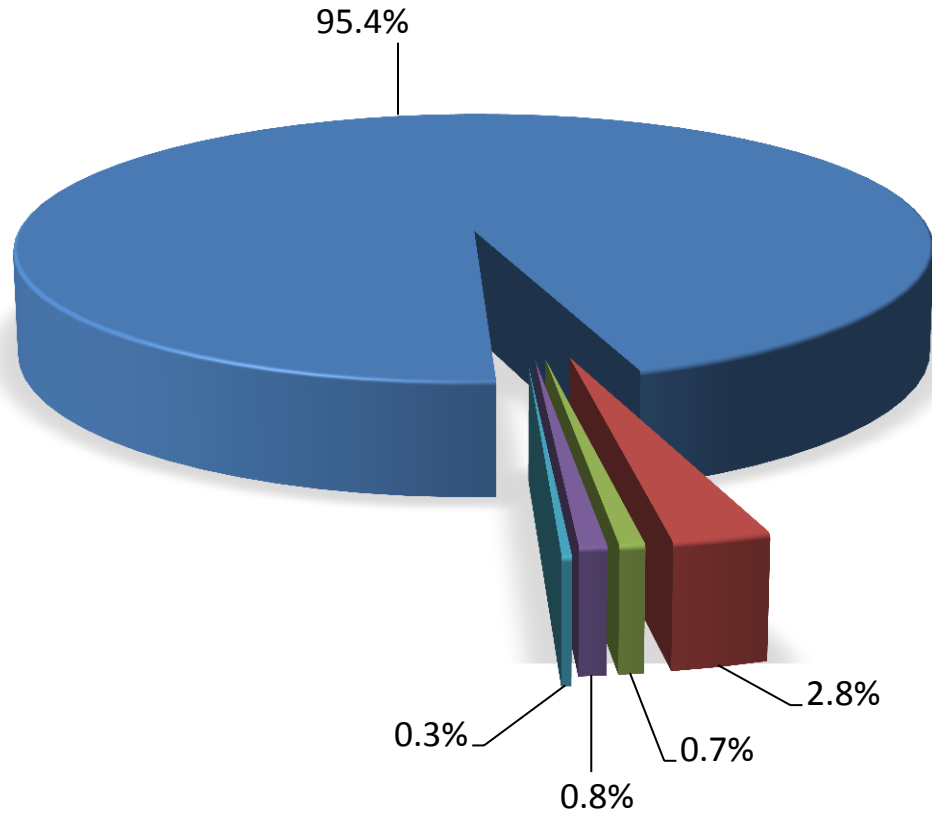


NBS: Balance of Secured Domestic Loan by Sector (in millions of USD)

■ Secured loans ■ Unsecured loans ■ Total



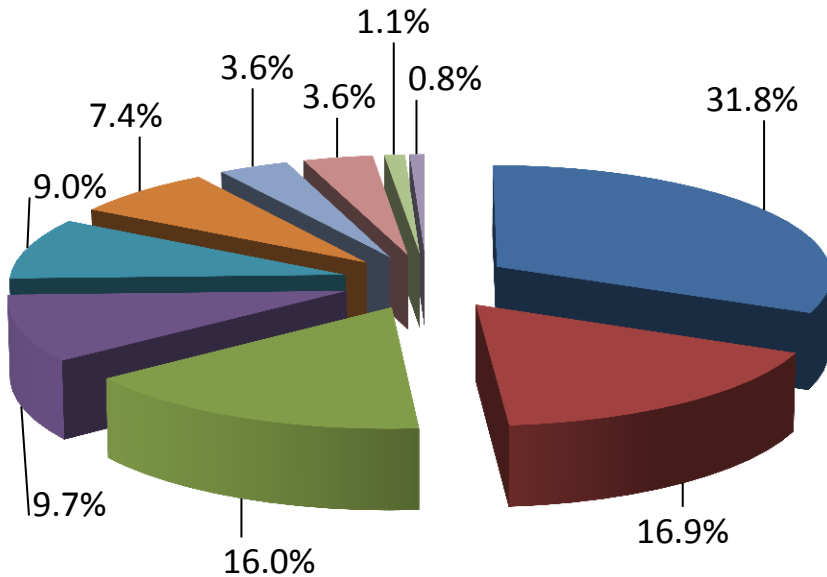
NBS: Domestic Portfolio Classification (in percentages)



■ Normal ■ Special mention ■ Substandard ■ Doubtful ■ Unrecoverable

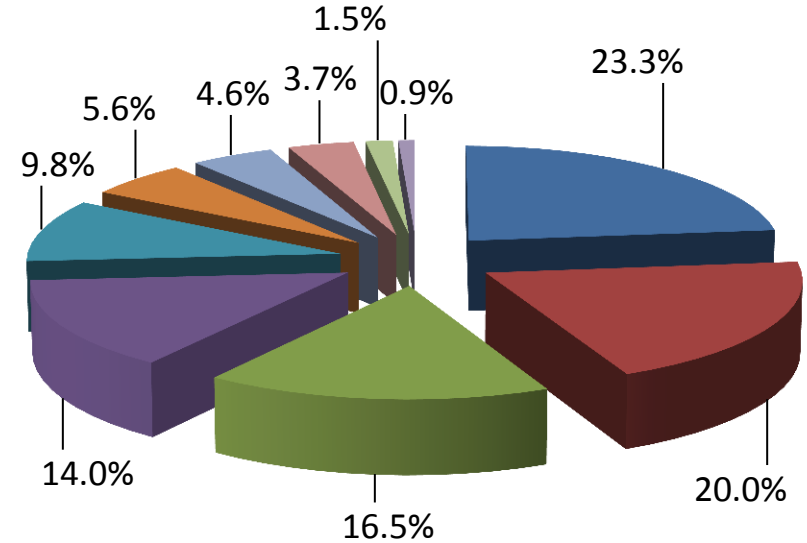
NSB: Domestic Loan Classification of Doubtful and Unrecoverable Portfolios by economic activity

Doubtful Portfolio USD208.8 million



- Residential mortgage
- Credit card
- Commerce
- Other sectors
- Personal loan
- Agriculture
- Construction
- Car loan
- Commercial mortgage
- Industrial

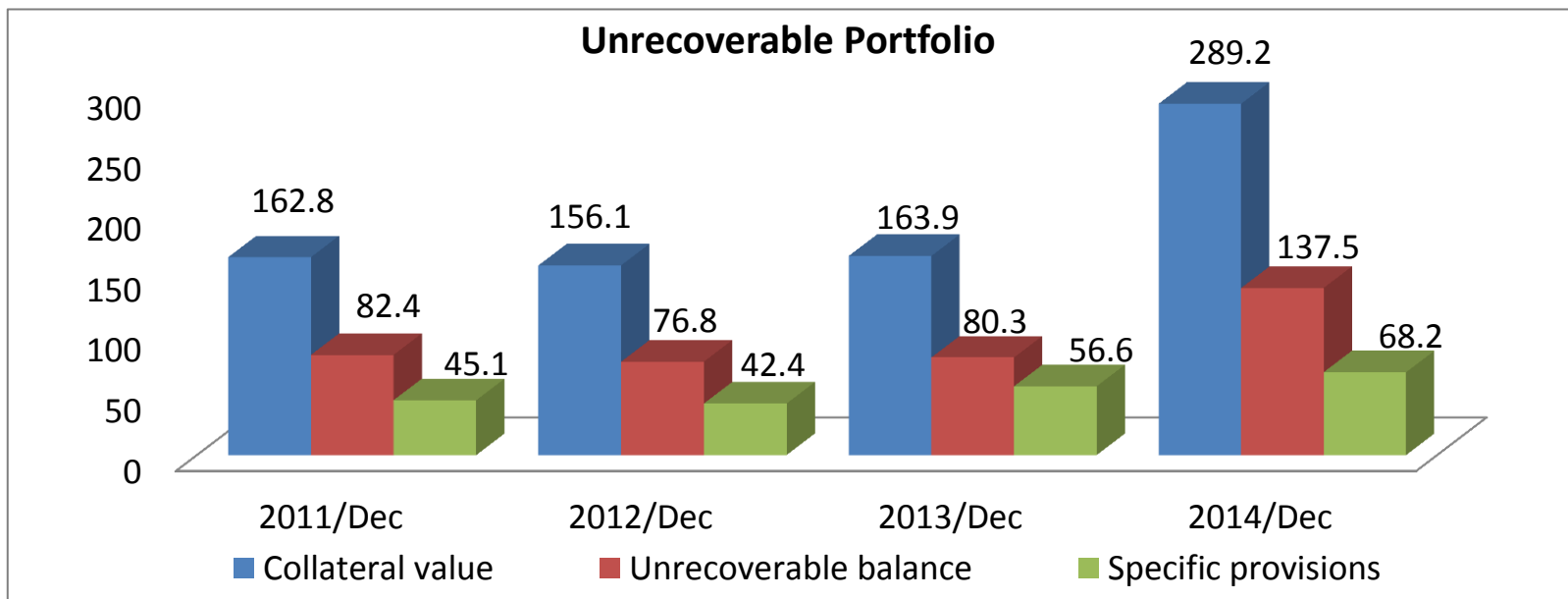
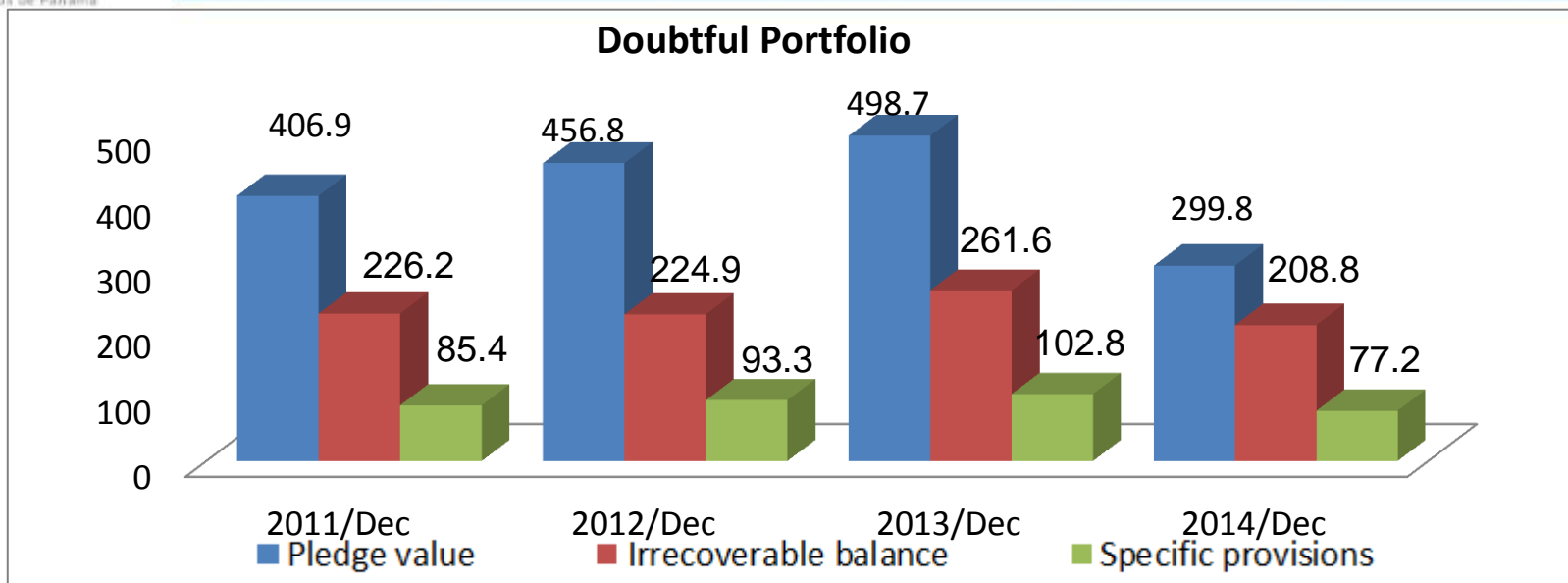
Unrecoverable Portfolio USD137.5 million



- Residential mortgage
- Personal loan
- Commerce
- Agriculture
- Other sectors
- Construction
- Credit card
- Car loan
- Commercial mortgage
- Industrial

NBS: Collateral and Specific Provision

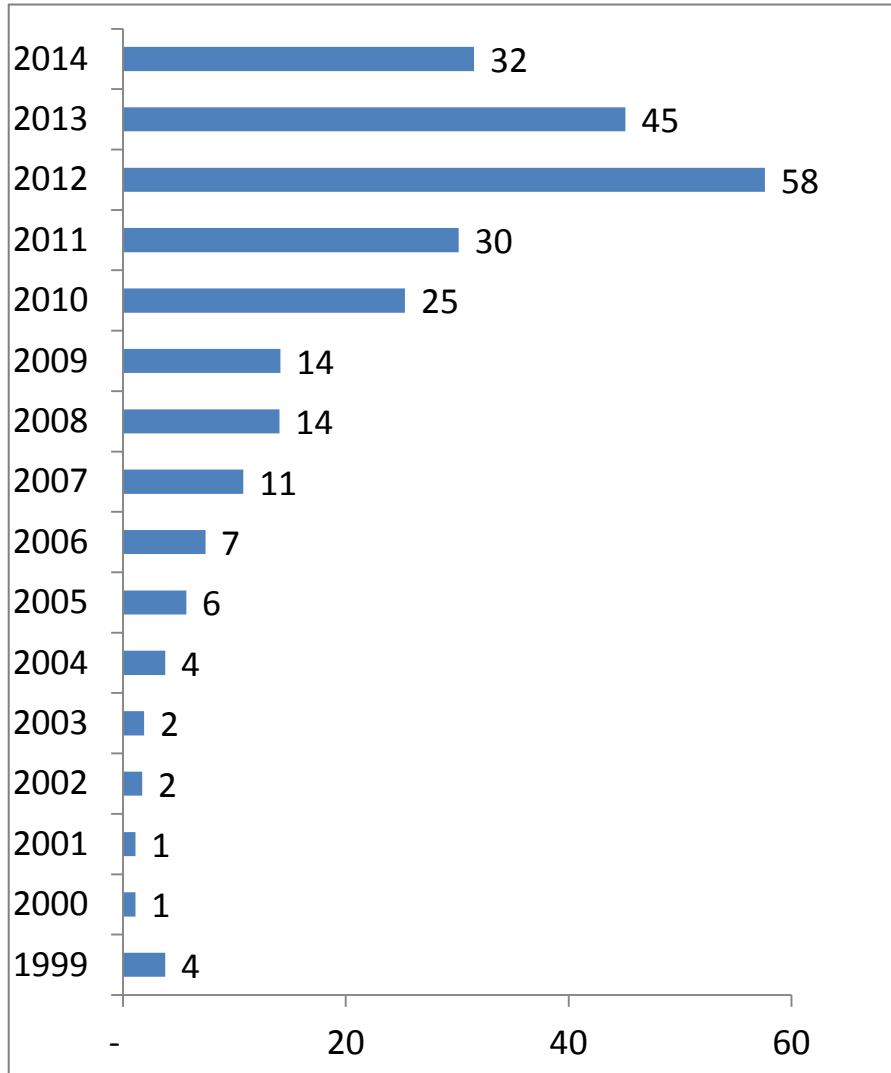
Doubtful and Unrecoverable Portfolios (in millions of USD)



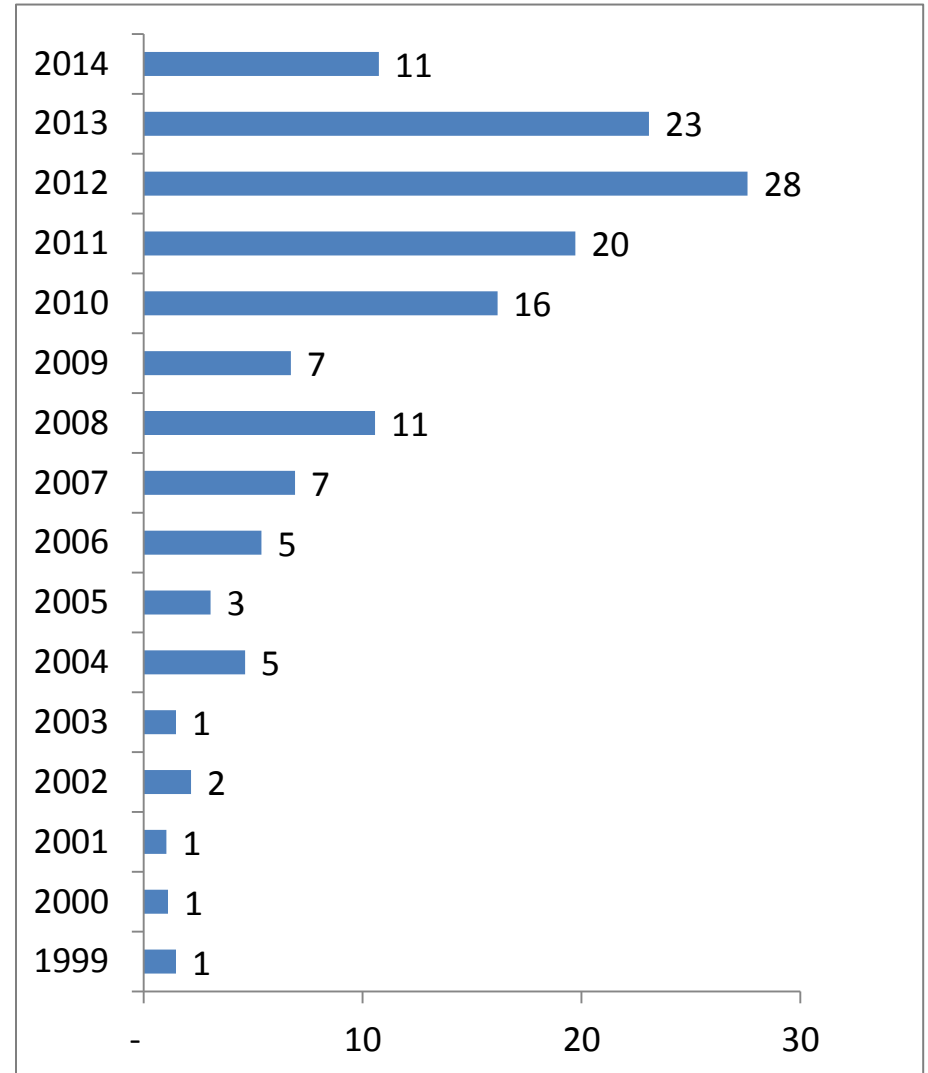
NBS: Balance of Doubtful and Unrecoverable Portfolios

(in millions of USD)

Doubtful Portfolio



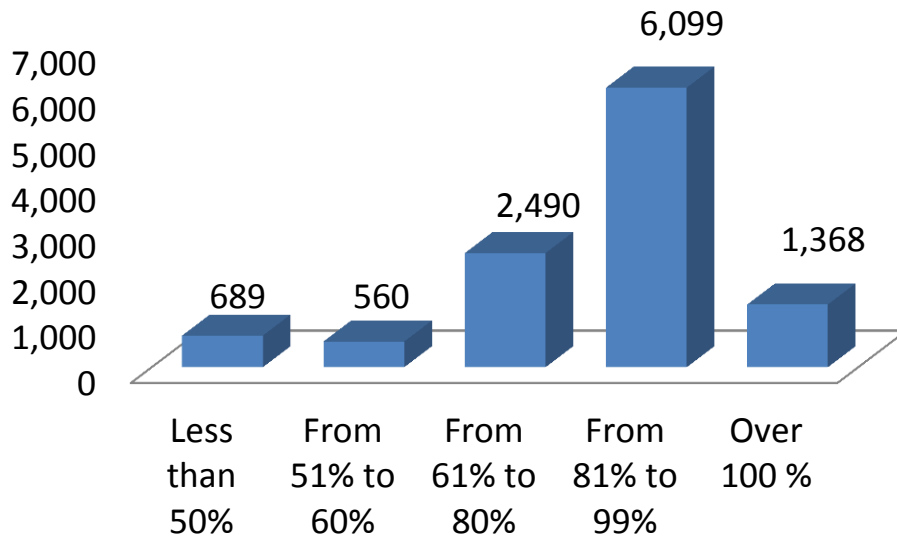
Unrecoverable Portfolio



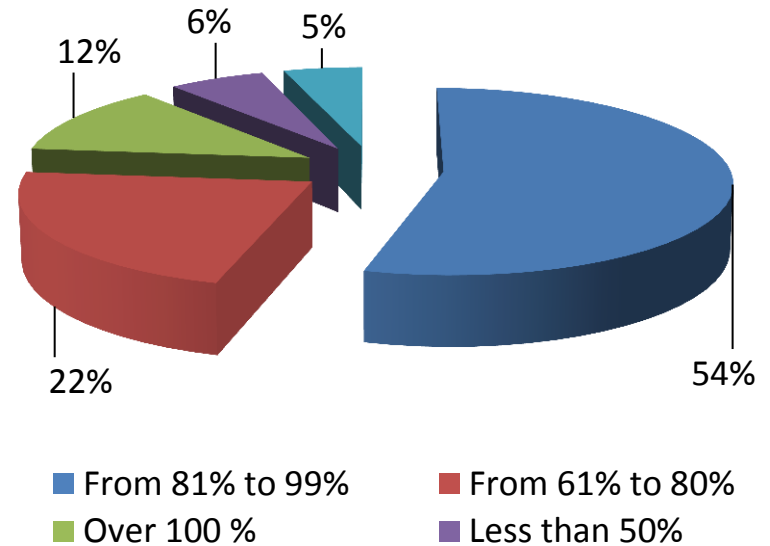
Banking System

Mortgages: Loan – Collateral Relationship

Initial Loan Value by Range
December 2014 (in millions of USD)



Loan Distribution by Loan – Collateral Range

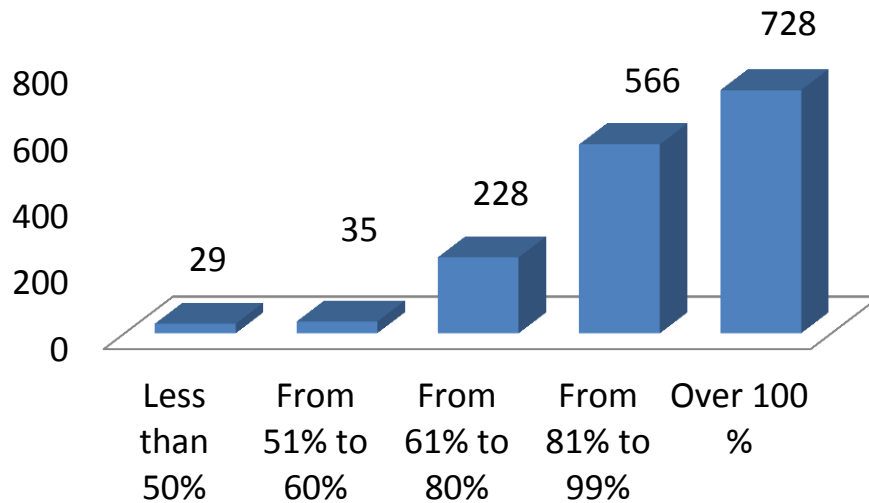


| RANGE | Dec-13 | | | Dec-14 | | |
|-----------------|------------------------|---------------|-------------------|------------------------|---------------|-------------------|
| | Initial Value (MM USD) | Collateral | Loan / Collateral | INITIAL VALUE (MM USD) | Collateral | Loan / Collateral |
| Less than 50% | 636 | 1,761 | 36% | 689 | 1,888 | 36% |
| From 51% to 60% | 536 | 949 | 56% | 560 | 994 | 56% |
| From 61% to 80% | 2,281 | 3,155 | 72% | 2,490 | 3,441 | 72% |
| From 81% to 99% | 5,309 | 5,782 | 92% | 6,099 | 6,626 | 92% |
| Over 100 % | 1,098 | 1,000 | 110% | 1,368 | 1,280 | 107% |
| Total | 9,860 | 12,647 | | 11,207 | 14,228 | 21 |

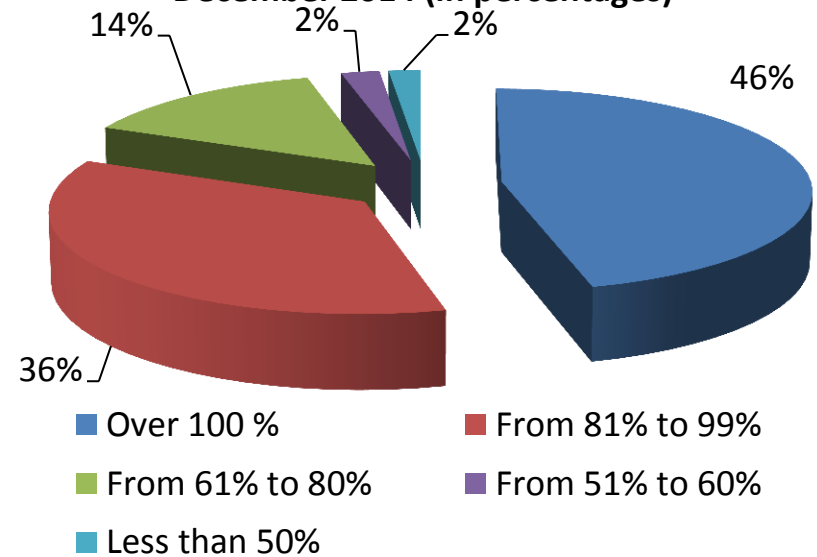
Banking System

Car Loans: Loan – Collateral Relationship

**Initial Loan Value by Range
December 2014 (in millions of USD)**



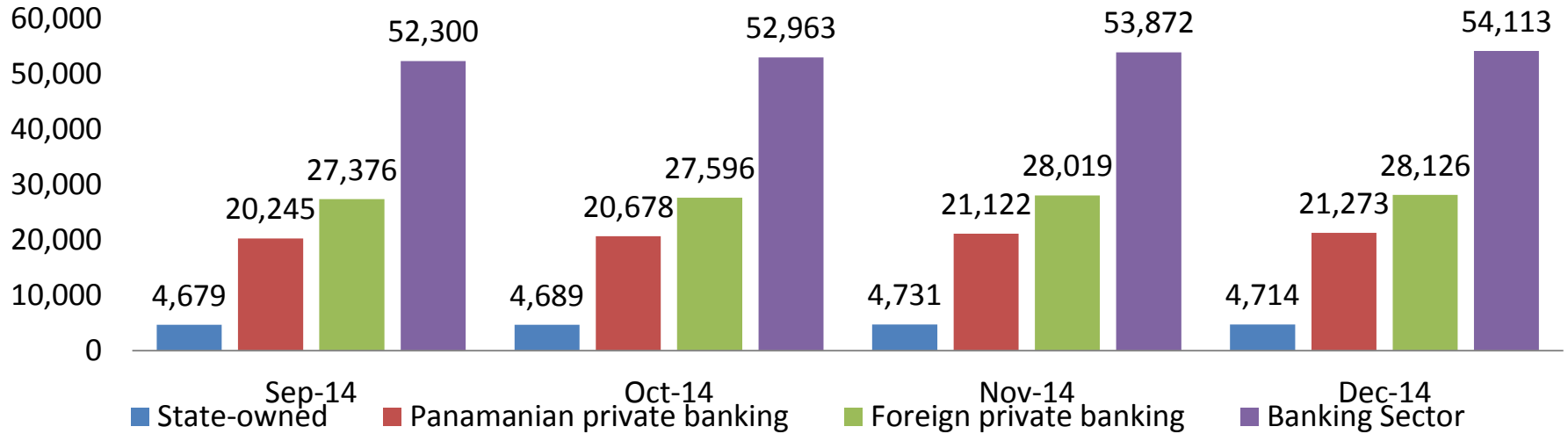
**Loan Distribution by Range
December 2014 (in percentages)**



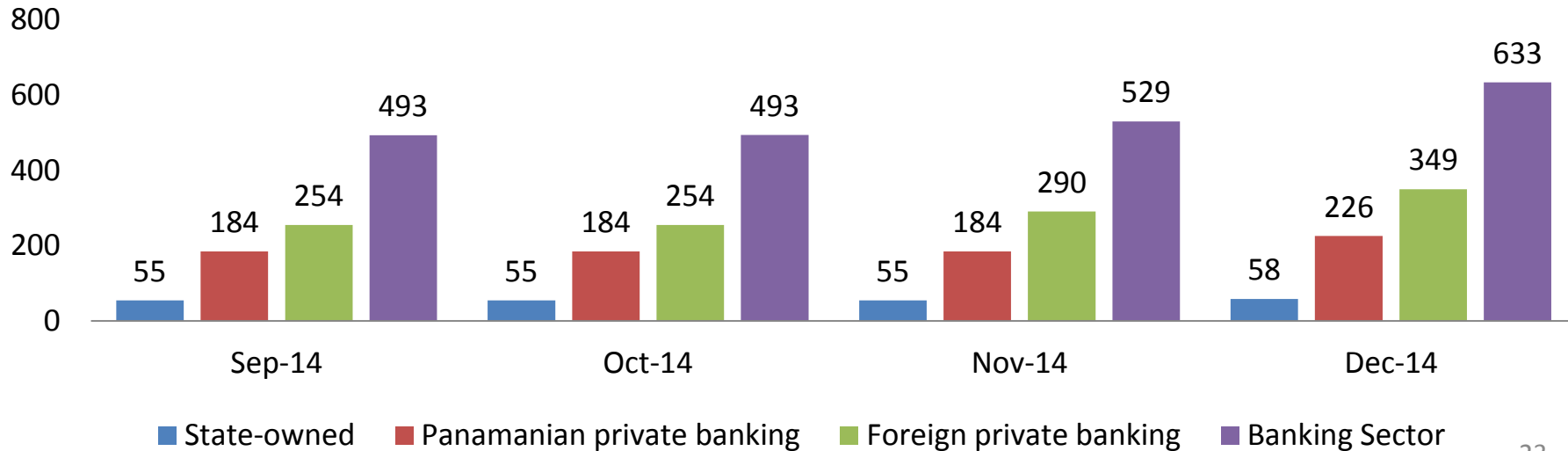
| RANGE | Dec-13 | | | Dec-14 | | |
|-----------------|------------------------|--------------|-------------------|------------------------|--------------|-------------------|
| | INITIAL VALUE (MM USD) | Collateral | Loan / Collateral | Initial Value (MM USD) | Collateral | Loan / Collateral |
| Less than 50% | 168 | 462 | 36% | 29 | 302 | 10% |
| From 51% to 60% | 42 | 75 | 56% | 35 | 62 | 56% |
| From 61% to 80% | 234 | 326 | 72% | 228 | 315 | 72% |
| From 81% to 99% | 410 | 455 | 90% | 566 | 624 | 91% |
| Over 100 % | 496 | 361 | 137% | 728 | 620 | 117% |
| Total | 1,351 | 1,680 | | 1,586 | 1,923 | |

NBS: Balance of Normal Portfolio and Dynamic Provisions by type of Banking (millions of USD)

Balance of Normal Portfolio



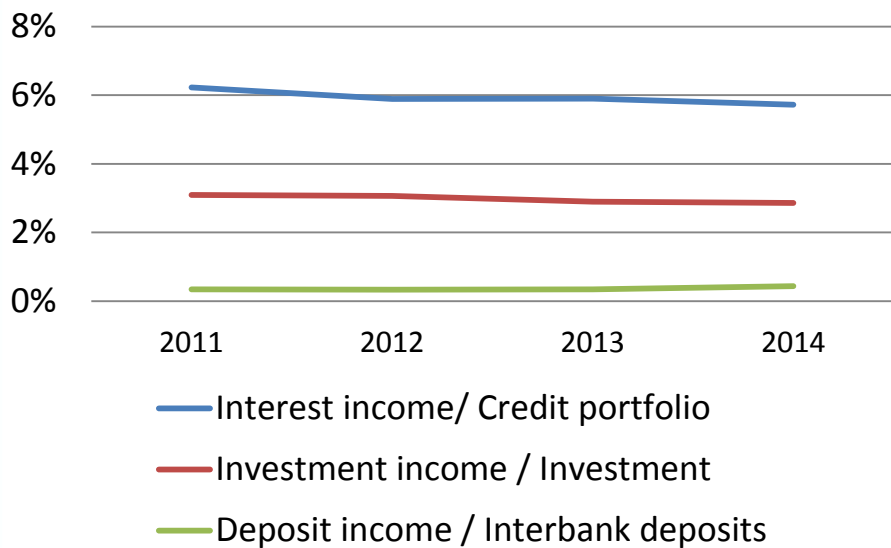
Dynamic Provisions



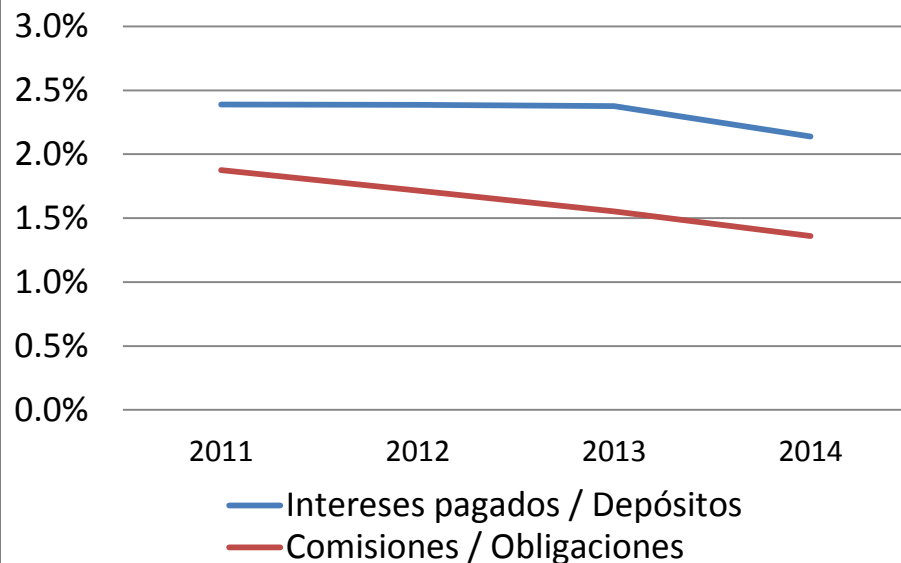
NBS: Profitability Indicators

| Indicators | 2011 | 2012 | 2013 | 2014 |
|--|--------|--------|--------|-------|
| Net interest income / General expenses | 0.96 | 0.96 | 0.92 | 0.97 |
| Operating income / General expenses | 1.81 | 1.81 | 1.67 | 1.82 |
| ROAA | 1.76% | 1.81% | 1.47% | 1.57 |
| ROEA | 14.10% | 15.56% | 13.80% | 14.99 |
| NIM | 2.77% | 2.70% | 2.66% | 2.41% |

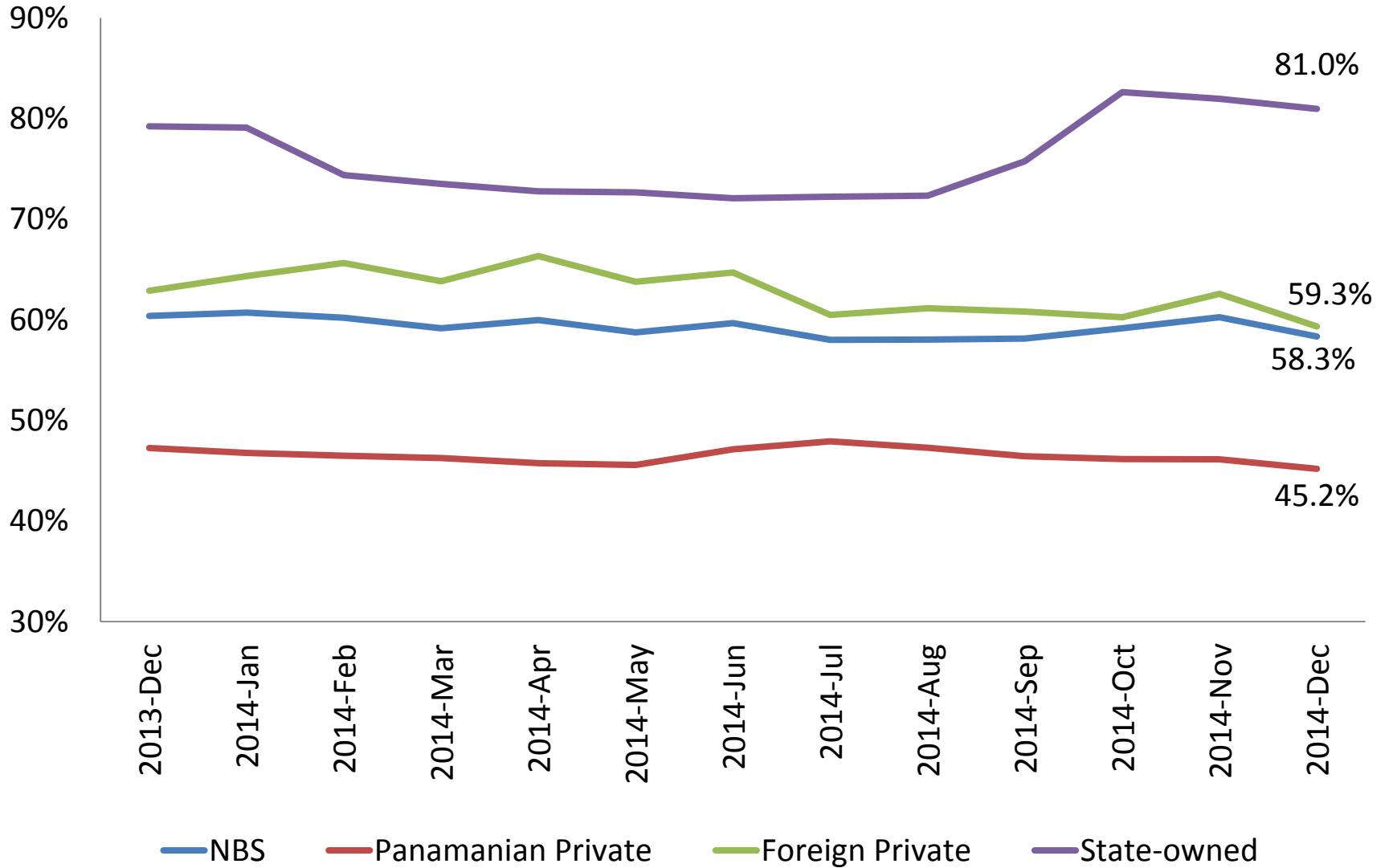
NBS: Assets Profitability



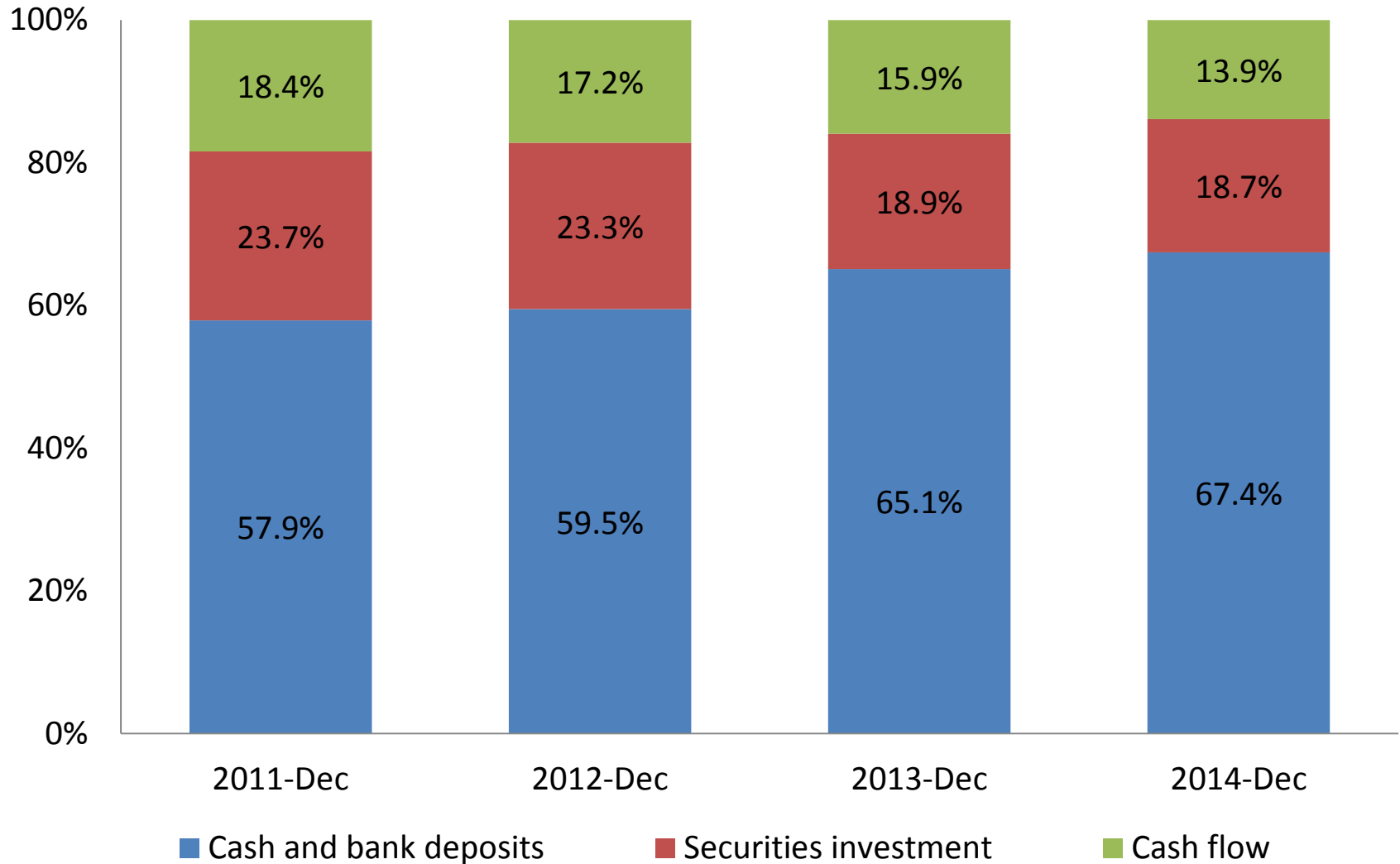
Funds Cost

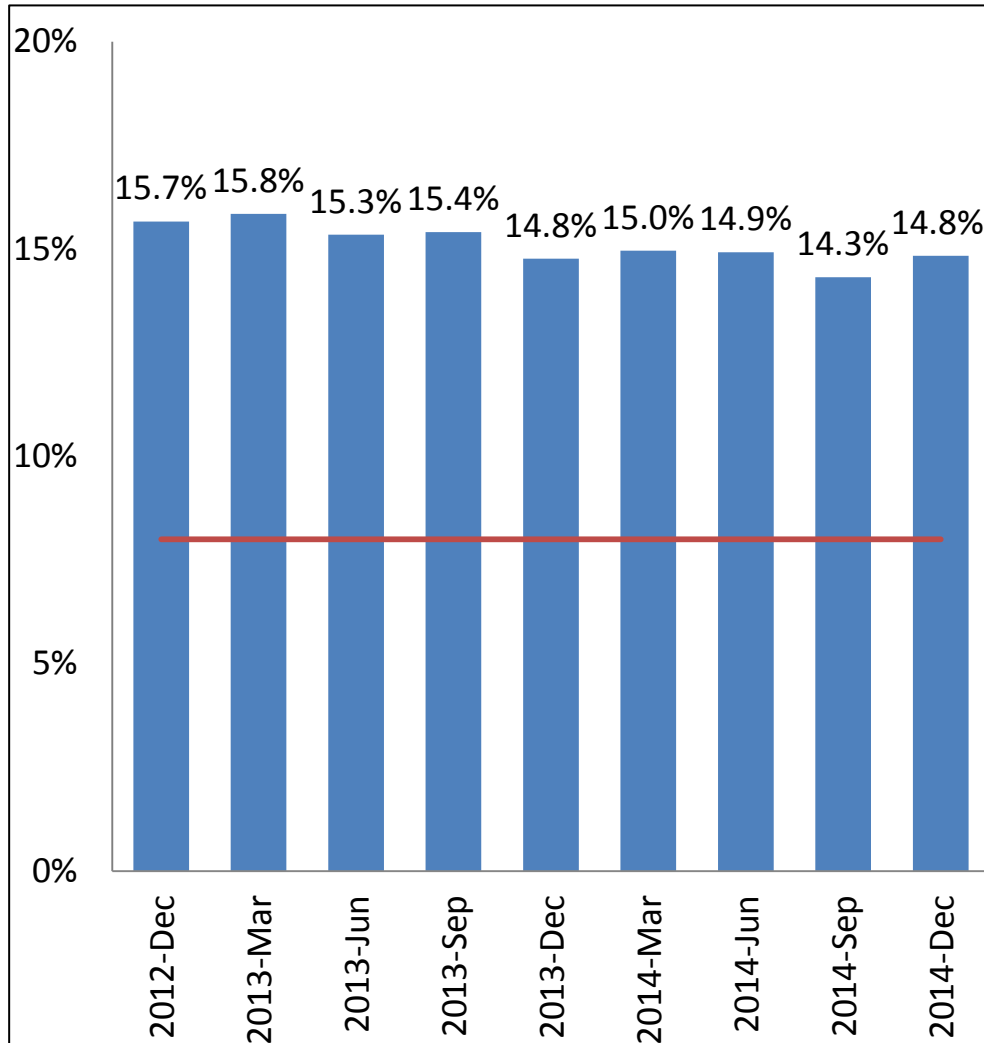


National Banking System Average Liquidity Index: In percentages



NBS: Liquid Assets Portfolio





| Range | Number of Banks |
|----------------------------|-----------------|
| Adequacy over 17 | 15 |
| Adequacy between 17 and 12 | 23 |
| Adequacy below 12 | 4 |

Institutional Issues and Challenges

Criminalization of Money laundering and Terrorism financing crimes

- Inclusion of crimes according to international standards in offense categories, including both Money laundering and the Financing of Terrorism

Implementing an appropriate legal framework to freezing terrorist assets

- Establishing a legal framework and mechanisms for the automatic freezing of assets pursuant to United Nation Resolutions 1267 and 1363

Establishing effective measures for due diligence and knowledge of the ultimate final beneficiary to strengthen transparency

- Broadening Designated non-financial business or professions (DNFBP)
- Requiring Enhanced Due Diligence measures for high-risk sectors and categories (ZLC)
- Extending Enhanced Due Diligence to trust services; supervise other complementary services offered by trust companies
- Law 47 grace period on bearer shares

Operational strengthening of the Financial Analysis Unit (FAU)

- Appropriate human, financial and technological resources to meet new responsibilities on accessing information on additional entities requiring reporting
- Strengthen legal framework to allow the FAU to access DNFBP's information.

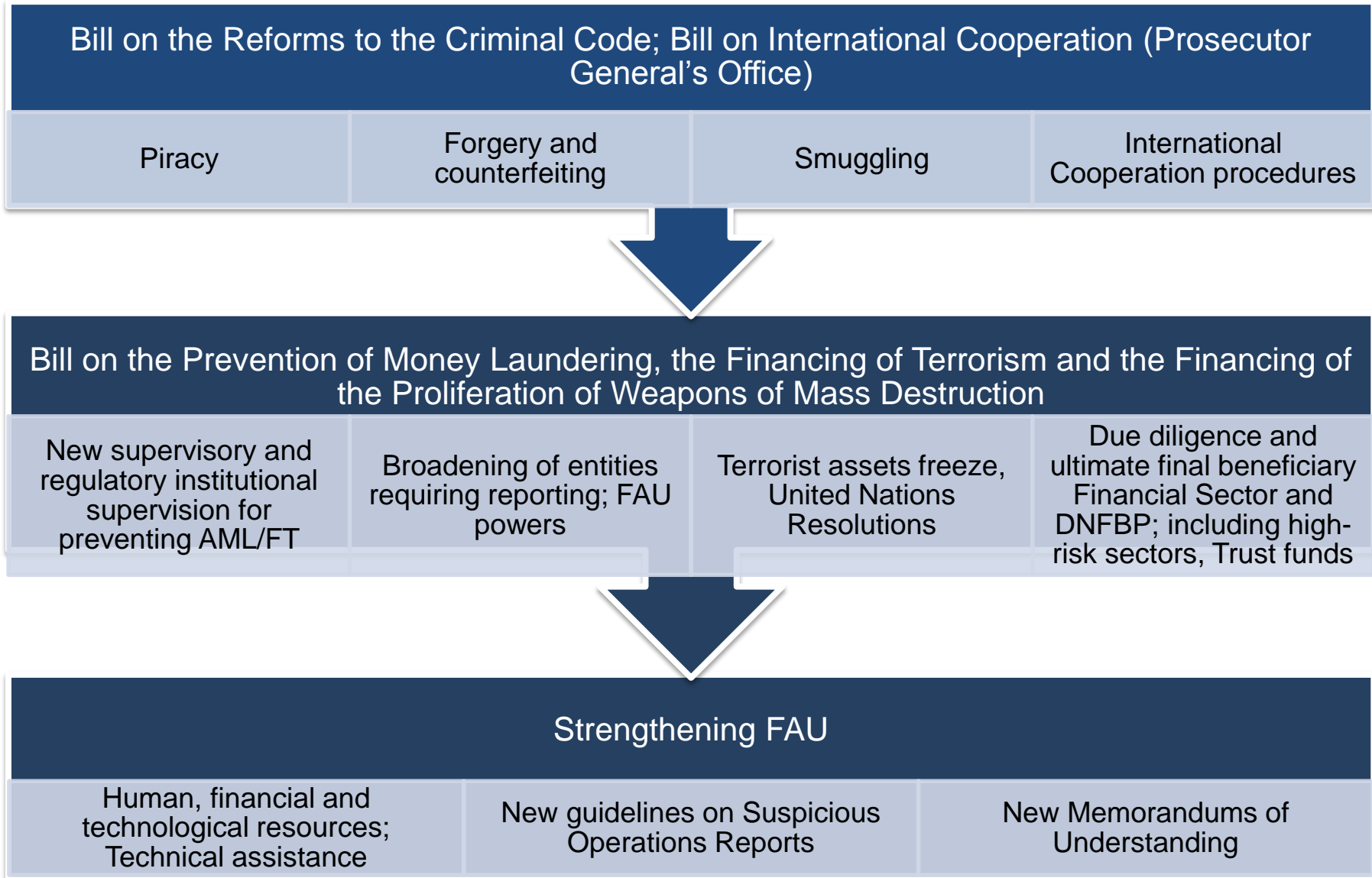
Broadening and strengthening suspicious operations reports for financial sector institutions and designated non-financial businesses and professions

- Scope of the Suspicious Operations Report for all Financial Sector entities and DNFBP according to international standards
- Strengthening the quality of the Suspicious Operations Reports

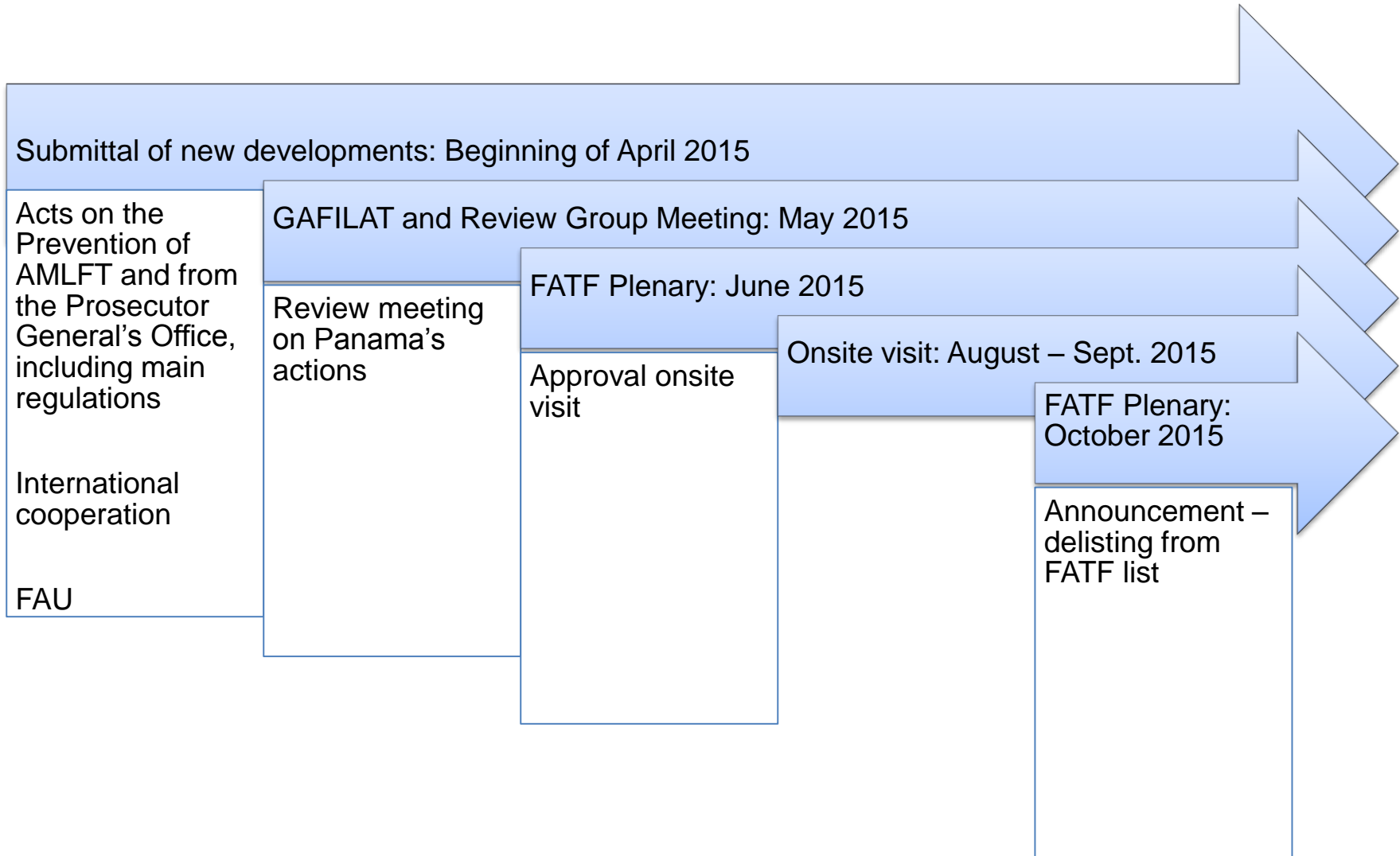
Ensure effective legal mechanisms for international cooperation

- Ensure legal mechanisms and procedures for cooperation, even in the absence of treaties
- Broaden FAU Memorandums of Understanding

Panama: Main Actions to be Delisted from FATF List



Panama: Schedule for Delisting from FATF List



Regulatory Road Map for 2015

**Risk-weighted assets
(Standardized Basel II)**

Compliance Officer

**Securities Investment
Classification (IFRS update)**

**Anti money laundering and
CFT updated**

Thank you!



Superbancos_pa



Superintendencia de
Bancos de Panamá



SuperbancosPa

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