

# TRANSLATION

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## *Republic of Panama* *Superintendency of Banks*

### **GENERAL RESOLUTION No. 001-2011**

(of 25 February 2011)

“Whereby the requirements of information set forth in numbers 5, 6, and 7 of Article 9 of Rule No. 4-2010 about special reports are widen up”

**THE SUPERINTENDENT OF BANKS,**  
in use of his legal powers, and

#### **WHEREAS:**

Due to the issuance of Law 2 of 22 February 2008, the Executive Branch systematically ordered in the form of a Sole Text the Decree Law 9 of 1998 and all its amendments, which was approved by means of Executive Decree 52 of 30 April 2008, hereinafter referred to as the Banking Law;

In accordance with article 86 of the Banking Law, the Superintendency is empowered to request from any bank, from any firm in the banking group, from bank holding companies or from non-banking affiliates the documentation and reports regarding their operations and activities;

By means of Rule No. 4-2010 the provisions on external audits to banks were updated;

Article 9 of Rule No. 4-2010 establishes that the Board of Directors of the regulated parties shall request to the external auditors, within the period foreseen for the delivery of their audited financial statements, the submittal of a separate document together with the special reports and a copy to the Superintendency of Banks;

In working sessions of this Superintendency, it has been pointed out the necessity and convenience to amend the requirements of information that are referred to in numbers 5, 6, and 7 of article 9 of Rule No. 4-2010 and to set the minimum content that these special reports must provide.

#### **RESOLVES:**

**ARTICLE 1:** For the purposes of the provisions set forth in article 9, number 5 of Rule No. 4-2010, the report about the provisioning for loan losses and recognition of other devaluations, shall contain at least the following information:

1. Information about the different calculation methods used by the bank to calculate provisions.
2. Differences or inconsistencies detected in audits to those methods regarding the formulas and inputs used in the different methods and the report of said amounts in the report.
3. Changes of methods (including formulas or methodologies) compared to the previous year and the effect of such in the bank results for the current year.
4. Back testing or calibrating results of the methods (which were the modifications and the effects related to the results).
5. Other provisions created by the bank for the loans and investments portfolio; and the methodologies used for the calculation of those.

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6. Whether the changes of methods, back testing, and new provisions approved by the Risk Committee were informed and reviewed by the Audit Committee.
7. Comparisons of the provisions calculation according to the regulatory framework in force issued by the Superintendency of Banks vs. the International Financial Reporting Standards (IFRS) or the United States Generally Accepted Accounting Principles (US-GAAP) and establish the differences.

**ARTICLE 2:** For the purposes of the provisions set forth in article 9, number 6 of Rule No. 4-2010, the report about the Consolidation of off-balance instruments and its implications, shall contain at least the following information:

1. Report about the execution and documentation of the evaluation of all off-balance items registered, including trust funds, mutual funds or investment funds, Special Purpose Vehicles that would need to be consolidated according to the International Financial Reporting Standards (IFRS) or the United States Generally Accepted Accounting Principles (US-GAAP).
2. Report about the figures or amounts that have been consolidated as part of the bank figures, in regards to the previous evaluation.
3. Whether the bank's assessment result were informed and reviewed by the Audit Committee

**ARTICLE 3:** For the purposes of the provisions set forth in article 9, number 7 of Rule No. 4-2010, the report about the Estimates of fair value and the uncertainties related, shall contain at least the following information:

1. Valuation models and methods used for the different types of financial instruments.
2. Financial instruments whose Reasonable Value (RV) have not been determined yet the reason or cause and the book value.
3. Whether the auditor agrees the rates and flows used to value the different financial instruments, where there is no a market value.
4. Differences or inconsistencies detected while the audits to the reasonable value calculations and reporting said amounts and situations in the report.
5. Changes of methods throughout the current year and the effect of those changes in bank's balance.
6. Coverage Efficiency or inefficiency analysis reports.
7. Whether the result of the changes of models and methods approved by the Risk Committee have been informed and reviewed by the Audit Committee.

**ARTICLE 4.** Banks are bound to provide to their external auditors, within a peremptory time, all information and documentation required for issuing these reports.

**ARTICLE 5.** This Resolution shall become effective upon its promulgation.

Given in the city of Panama, on twenty-fifth (25<sup>th</sup>) February, two thousand eleven (2011).

**LET IT BE KNOWN, PUBLISHED AND ENFORCED.**

**THE SUPERINTENDENT OF BANKS,**

Alberto Diamond R.