

**Republic of Panama
Superintendency of Banks**

BOARD OF DIRECTORS' GENERAL RESOLUTION SBP-GJD-0010-2020
(dated 29 December 2020)

“Whereby the reporting requirements that banks must apply to evidence the condition that affects the debtor of a modified loan are developed in accordance with the provisions of Article 2 of Rule 13-2020”

THE BOARD OF DIRECTORS
in use of its legal powers, and

WHEREAS:

Due to the issuance of Decree Law 2 dated 22 February 2008, the Executive Branch re-edited Decree Law 9 dated 26 February 1998 and all its amendments as a consolidated text, and this text was approved by means of Executive Decree 52 dated 30 April 2008, hereinafter referred to as the Banking Law;

Pursuant to the provisions of Article 5 (1), (3) and (4) of the Banking Law, safeguarding the soundness and efficiency of the banking system, promoting public trust in the banking system and safeguarding the judicial balance between the banking system and its clients are objectives of the Superintendency of Banks;

Pursuant to Article 11 (5) of the Banking Law, establishing the administrative interpretation and scope of the legal provisions and regulations on banking matters is a technical duty of the Board of Directors;

Rule 2-2020 dated 16 March 2020 establishes additional, exceptional and temporary provisions to comply with the provisions contained in Rule 4-2013 on credit risk, in order to adapt credit risk regulatory requirements to the current threat situation of spread of COVID-19 in the national territory;

By means of Rule 13-2020 dated 21 October 2020, the provisions of Rule 2-2020 are modified in order to establish 30 June 2021 as an additional deadline for the banking system to grant financial relief measures on modified loans, among other aspects;

In accordance with Article 2 of Rule 13-2020, which modifies Article 4 of Rule 2-2020, banks must make sure to document in the loan files the information that proves the conditions that affected the debtor through the documents and evidence provided;

Within the risk management process of modified loans, banks must define and identify, within their policies, the information and methodology that will be used to demonstrate the effects of the economic crisis triggered by COVID-19 on the debtor;

During the working sessions of the Board of Directors it determined it is necessary and advisable to establish the processing and information guidelines that banks must apply to demonstrate the conditions that affected the debtor of a modified loan in accordance with Rule 2-2020.

RESOLVES:

ARTICLE 1. PROCESS TO CERTIFY THE CONDITIONS THAT AFFECTED THE DEBTOR.

Within the loan evaluation process of those debtors whose cash flow and payment capacity has been affected by the economic crisis triggered by COVID-19, banks must ensure that they

apply the financial relief measures contained in Rule 2-2020 to those debtors who support the conditions that have affected them through the means of information and documentation established herein, which must be duly documented in the loan files.

Banks supported by their organizational structure must properly process the information submitted by the debtor through the channels or means that each bank has for such purposes, so that said information allows to evidence or corroborate, as the case may be, the conditions that affected the debtor triggered by COVID-19.

In the process of evaluating the conditions that affected the debtor, banks may make use of the resources, means and tools of public access information provided by public entities in which a database of people economically affected by COVID-19 is consolidated, as well as the prudential measures adopted by the National Government to face, control and mitigate the effects of COVID-19.

PROVISO: Banks should ensure compliance with Article 3 (6) of Rule 2-2020, which states that banks will establish specific policies and procedures for processing and following up on requests to modify the conditions of these loans.

ARTICLE 2. INFORMATION TO EVIDENCE THE CONDITIONS THAT AFFECTED THE DEBTOR. Banks, at the moment of defining or identifying within their policies the information that evidences the conditions triggered by COVID-19, must take into consideration the specific circumstance that has triggered the conditions that affected the debtor, the type of affected debtor, the work or economic activity and the loan portfolio to which the debtor belongs, as appropriate, taking into consideration the following aspects:

1. For clients affected due to the suspension or termination of the employment contract, reduction of working hours with salary reduction, or decrease of cash flow or other source of payment when they are self-employed individuals/freelancers classified within the personal loan or consumer loan portfolio, banks may demonstrate the impact on the debtor's payment capacity through any of the following information elements:
 - a. Debtor's affidavit stating the conditions that affected him/her to honor bank commitments;
 - b. A letter of employment or any other reliable document in which the labor measure of the suspension of the employment, reduction of working hours with salary reduction or lay off is recorded;
 - c. Account movement for the last three months;
 - d. Certified Public Accountant Certification Letter;
 - e. Any other document deem necessary to demonstrate the conditions that affected the debtor.
2. For clients whose general status of their businesses has been affected by negative situations that have impacted on the economic sector where they perform their activities and that operating cash flow tends to weaken due to uncertainties on the economic conditions within the corporate loan and other loan portfolios, banks may demonstrate the conditions that affected the debtor's payment capacity through any of the following information elements:
 - a. Debtor's affidavit stating the conditions that affected him/her to honor bank commitments;

- b. A letter explaining the conditions that affected him/her to honor bank commitments;
- c. The company's financial statements or current financial data, endorsed by a Certified Public Accountant;
- d. Any other document deemed necessary to demonstrate the conditions that affected the debtor.

ARTICLE 3. EXCESSIVE OR EXPENSIVE INFORMATION. Banks, at the moment of defining the information or documentation they will request the debtor to demonstrate the impact triggered by COVID-19, must take into consideration the current macroeconomic situation the country is experiencing and that said information is commensurate to the specific conditions presented by each group of clients, in order to avoid that such a request is excessive or expensive at the time of loan modification.

ARTICLE 4. ENACTMENT. This Resolution shall be effective from 1 January 2021.

Given at the city of Panama this twenty-ninth (29th) day of December, two thousand twenty (2020).

FOR COMMUNICATION, PUBLICATION, AND ENFORCEMENT,

THE CHAIRMAN

THE SECRETARY

Luis Alberto La Rocca

Nicolás Ardito Barletta

