

**REPUBLIC OF PANAMA  
SUPERINTENDENCY OF BANKS**

**AGREEMENT N° 1-99  
(Of May 11, 1999)**

**THE BOARD OF DIRECTORS,**  
Exercising its Legal Authority, and

**WHEREAS:**

That, according to Numeral 3 of Article 16 of Law Decree 9 of February 26 of 1998, it is to the Superintendency to establish standards for the application of credit concentration limits established by Article 63 of said Law Decree in Banks with General License; and

That the need and advisability of establishing, on the administrative level, the interpretation and scope of Articles 63 and 66 of Law Decree 9 of February 26 of 1998, in regards to Banks with General License (Particular Economic Group) has become evident during the working and consulting sessions of this Superintendency

**APPROVES:**

**ARTICLE 1: PARTICULAR ECONOMIC GROUP.** To the effects of application of credit limits established by Article 63 of Law Decree N° 9 of 1998 to ONE (1) person and his/her Group is considered the Economic Group of that person in particular ("Particular Economic Group"):

Any of the following natural persons:

1.1 The spouse of the borrower.

1.2 The person legally represented by the borrower before the Bank in any debt relation maintained by the borrower with the Bank.

1.3 The person legally represented by the borrower before the Bank in any debt relation that that person maintains represented with the Bank.

1.4 When the borrower is a corporation, the person that individually accounts for the necessary votes in that corporation would volunteer to elect by himself most of the directors of said corporation, or to designate the Legal Representative or General Counsel or the Executive of the highest level in that corporation. That person can be known as "comptroller".

Any of the following juridical persons:

2.1 Corporation for which the borrower is at the same time director or officer and that does not have an equity debt relationship at least equal to the one usually required by the Bank in similar conditions and purpose.

2.2 Corporation for which the borrower is at the same time shareholder in a proportion higher than 20% of the total outstanding shares.

2.3 Corporation shareholder of the borrower – if it is a juridical person – in a proportion higher than 20% of the total outstanding shares of the borrower – juridical person.

(sic) Corporation main debtor of the bank in other loans for which the borrower is at the same time co-debtor or guarantor

2.5 Corporation in which the borrower individually counts with the necessary votes to elect by himself the majority of the directors of said corporation, or to appoint the Legal Representative or General Counsel or the Executive of the highest level in the corporation.

**ARTICLE 2: CREDIT LIMIT.** In cases pertaining to Article 1, a 25% credit limit will be applied to the capital funds of the Bank, established according to Article 63 of Law Decree 9 of 1998 to ONE (1) person only computing the loans and credit facilities granted to that person and to any other of those referred to in Article 1 (“Particular Economic Group”), without detriment to the exceptions of the following Article.

**PARAGRAPH:** The application of this limit will concern loan operations and credit facilities for amounts over US\$ 25,000.00. If several of these operations carried out successively during the same calendar quarterly amount to more than US\$ 100,000.00, the established limit in this Article will be applied to the accumulated amount.

**ARTICLE 3: EXCEPTIONS.** The following exceptions are recognized in the application of the established limit in the previous Article:

1. When the loan or credit facility granted is duly guaranteed with a collateral of the deposit in the same bank, up to the amount of the guarantee.
2. When the loan or credit facility is granted to any of the persons referred to in Numerals 2.2 and 2.3 or Article 1 that do not account for more than 50% of outstanding shares. In that event, instead of computing the totality of the loan or credit facility, only a percentage of the loan will be taken as computable amount, and it will be equal to the percentage of share holding.
3. When the loan or credit facility is granted by Official Banks of the Republic of Panama to the Panamanian State, or has its guarantee, according to the interpretation criteria of Article 150 of Law Decree N° 9 of 1998.

**ARTICLE 4: NOTION OF BANK AND CONSOLIDATION.** To the exclusive effects of the present Agreement, the notion of Bank as entity object of the application of credit limit and as titular entity of capital that serves as a basis for the application of these limits will also be understood in regards to subsidiaries that are property of the Bank and that consolidate with it. In that regard, the basis for capital funds for the application of the limits established in Article 63 of Law Decree 9 of February 26 of 1998, on cases provided in Article 1 of this Agreement will follow the principles of consolidation of the International Accounting Standards. It is understood, however, that:

1. The primary capital as well as the secondary capital are accepted as capital funds of the Bank and of each one of its subsidiaries, according to what has been established in Numeral 12 of Article 3 of Law Decree 9 of 1998, primary capital as well secondary capital.
2. In the event of insurance companies, reserves that do not have an equity nature will not be included as part of capital funds.

**ARTICLE 5: DIRECT OR INDIRECT MODALITY.** The application of the established limits according to Article 63 of Law Decree 9 of 1998 will equally proceed even though the loan or credit facility is not granted directly to the qualified person as a person member of the Particular Economic Group, but through one or several corporations or other persons, but that have as real beneficiary the person so qualified, to the judgment of the Superintendency.

**ARTICLE 6: DEADLINES TO ADJUST TO THE LIMITS OF THESE REGULATIONS:** The deadlines established in Articles 10 and 11 of Agreement N° 5-98 of October 14 of 1998.

**ARTICLE 7: VALIDITY.** Without detriment to the deadline specified in the previous Article, this Agreement will be in effect as of its publication.

Issued in the City of Panama, on the eleventh (11) day of the month of May of nineteen hundred and ninety-nine (1999).

**NOTIFY AND EXECUTE**

**THE PRESIDENT**  
Joseph Fidanque

**THE SECRETARY, (acting)**  
Eduardo Ferrer  
mddec