

The following descriptions must be taken into consideration in submitting the legal liquidity index information that state-owned, general license and international license banks must provide to the Superintendency of Banks.

DESCRIPTION

Legal Liquidity Index General license and international license banks whose home supervisor is the Superintendency of Banks of Panama must at all times maintain a minimum liquid assets balance equivalent to thirty percent (30%) of their total gross deposits in Panama and abroad up to 186 days from the date of the liquidity report.

Index Formula
$$\frac{\text{Numerator} = \text{Liquid Assets}}{\text{Denominator} = \text{Liabilities (Received Deposits)}} \times 100 = X\%$$

Reporting Bank A general or international license bank required to report the liquid assets used in determining their legal liquidity index to the Superintendency of Banks.

Received Deposits Deposits in the reporting bank comprising the denominator of the formula for the calculation of the legal liquidity index:

1. Demand deposits: obligations to the public deposited in as current accounts.
2. Savings deposits: obligations to the public deposited in savings accounts.
3. Special savings deposits: obligations to the public deposited with the bank and having special withdrawal rights.
4. Christmas savings deposits: deposits supported by a savings book or statement of account that can only be withdrawn at the termination of the agreed period, and whose maturity or requirement date does not exceed one hundred eighty-six days (186) from the date of the liquidity report.
5. Time deposits whose maturity date does not exceed one hundred eighty-six (186) days from the date of the liquidity report.

Total deposits must be reported. Before calculating the index, deposits received from an overseas parent company, branch office, subsidiary or affiliate, and deposits guaranteeing the outstanding balance of loans from the bank as of the date of the report, will be excluded from the database (see excludable deposits). Article 16 of Rule 4-2008.

Liquid Assets Portfolio of liquid resources acceptable in determining legal liquidity. Article 75 of the Banking Law.

1. Gold or legal currency in Panama.
2. Net balances in the Panama Clearing House.
3. Net balances deposited in any bank in Panama, whether demand deposits or time deposits whose maturity does not exceed one hundred eighty-six days from the date of the liquidity report.
4. Financial assets representing the contractual right to the future receipt of funds, which may be supported by mortgages and are issued or guaranteed by foreign governments, international financial organizations, national or international private companies and private or foreign government agencies.
5. Treasury bills, Certificates of Tax Payment, Government Benefit and other Securities issued by the State representing financial instruments of public debt issued by the Panamanian Government.
6. Acceptable foreign banks: foreign banks with a long-term international rating not less than BBB-/Baa3 or a short-term international rating not less than A-3/P-3 issued by a recognized risk rating agency.
7. Obligations issued by international financial organizations: obligations issued by multilateral financial organizations of which the Republic of Panama is a member.
8. Obligations issued by foreign private and government agencies: Those securities secured with mortgages, issued by foreign private or government agencies whose long-term international rating is not less than AAA/Aa and that will allow the investor to receive a prorated share of all cash flow generated by a mortgage package.
9. Limit for installments of loans receivable within one hundred eighty-six (186) days: obligations on loans receivable within one hundred eighty-six (186) calendar days from the date of the liquidity report and classified within the normal category pursuant to the Rule on Loan ratings.

10. Bank obligations receivable in Panama: A bank obligation is receivable in Panama when it is subject to Panamanian law, regardless of where the payment is made.

11. Securities issued by foreign governments: obligations issued by foreign governments and actively traded in international exchange markets acceptable to the Superintendency (see Weighting Chart of Article 6 of Rule 4-2008).

**LIABILITIES – DEPOSITS INCLUDED IN THE CALCULATION OF THE
LEGAL LIQUIDITY INDEX**

CODE	DESCRIPTION
211100	Nonbanking domestic demand deposits.
211200	Nonbanking foreign demand deposits.
221100	Nonbanking domestic time deposits with a maturity date of up to 186 calendar days from the date of the liquidity report.
221200	Nonbanking foreign time deposits with a maturity date of up to 186 calendar days from the date of the liquidity report.
222100	Domestic savings deposits
222200	Foreign savings deposits
223100	Special savings deposits
224100	Christmas savings deposits up to 186 days.
231100	Demand deposits of a domestic parent company, branch office, subsidiary or affiliate.
231200	Demand deposits of domestic correspondent banks.
231300	Demand deposits of other domestic banks.
231400	Demand deposits of a foreign parent company, branch office, subsidiary or affiliate.
231500	Demand deposits of foreign correspondent banks.

231600	Demand deposits of other foreign banks.
232100	Time deposits of a parent company, branch office, subsidiary or affiliate of the domestic reporting bank with a maturity date of up to 186 calendar days from the liquidity report.
232200	Time deposits of domestic correspondent banks with a maturity date of up to 186 calendar days from the liquidity report.
232300	Time deposits of other domestic banks with a maturity date of up to 186 calendar days from the liquidity report.
232400	Time deposits of a foreign parent company, branch office, subsidiary or affiliate with a maturity date of up to 186 calendar days from the liquidity report.
232500	Time deposits of foreign correspondent banks with a maturity date of up to 186 calendar days from the liquidity report.
232600	Time deposits for other foreign banks with a maturity date of up to 186 calendar days from the liquidity report.
241100	Demand deposits of other domestic financial institutions.
241200	Demand deposits of other foreign financial institutions.
242100	Time deposits of other domestic financial institutions with a maturity date of up to 186 days.
242200	Time deposits of other foreign financial institutions with a maturity date of up to 186 days.
281100	Nonbanking domestic demand deposits with a maturity date over 186 days from the liquidity report. To be used in the monthly liquidity report.
281200	Nonbanking foreign demand deposits with a maturity date over 186 days from the liquidity report. To be used in the monthly liquidity report.
281300	Nonbanking domestic time deposits of a parent company, branch office, subsidiary or affiliate with a maturity date over 186 days from the liquidity report. To be used in the monthly liquidity report.
281400	Time deposits of domestic correspondent banks with a maturity date

over 186 days. **To be used in the monthly liquidity report.**

281500	Time deposits of other domestic banks with a maturity date over 186 days. To be used in the monthly liquidity report.
281600	Time deposits of an overseas parent company, branch office, subsidiary or affiliate with a maturity date over 186 calendar days. To be used in the monthly liquidity report.
281700	Time deposits of overseas correspondent banks with a maturity date over 186 days. To be used in the monthly liquidity report.
281800	Time deposits of other overseas banks with a maturity date over 186 days. To be used in the monthly liquidity report.
281900	Time deposits of other domestic financial institutions with a maturity date over 186 days. To be used in the monthly liquidity report.
282000	Time deposits of other overseas financial institutions with a maturity date over 186 days. To be used in the monthly liquidity report.

**LIABILITIES – DEPOSITS EXCLUDED FROM THE CALCULATION OF THE
LEGAL LIQUIDITY INDEX**

CODE	DESCRIPTION
251100	Demand deposits whose owner is the reporting bank's parent company, branch office, subsidiary or affiliate located abroad.
261100	Time deposits with a maturity date of up to 186 calendar days from the liquidity report, whose owner is the reporting bank's parent company, branch office, subsidiary or affiliate located abroad.
271100	Secured deposits that will expire within 186 calendar days of the liquidity report and guaranteed up to the loan balance or to the lesser of the secured deposit and the loan balance, as long as those deposits were previously included in any of the Liability categories described in codes 211100 to 282000.

**LIQUID ASSETS INCLUDED AT 100% OF THEIR VALUE FOR THE
CALCULATION OF THE LEGAL LIQUIDITY INDEX**

CODE	DESCRIPTION
111100	Gold belonging to the reporting bank, at its reasonable value as of the date of the report.
121100	Coins of legal currency in the Republic of Panama (issued by the Panamanian government and by the United States government) belonging to the reporting bank.
121200	Bills of legal currency in the Republic of Panama (issued by the United States Government) belonging to the reporting bank.
131100	Net balances in favor of the reporting bank in the Clearing House of the Banco Nacional de Panamá.
141100	Demand deposits placed in the reporting bank's parent company, subsidiaries, branch offices and/or affiliates located in Panama. ¹
141200	Demand deposits placed in the Banco Nacional de Panamá.
141300	Demand deposits placed in the reporting bank's correspondent banks located in Panama.
141400	Demand deposits of other banks in Panama.
142100	Time deposits of up to 186 calendar days from the liquidity report allocated in the parent company, subsidiaries, branch offices and/or affiliate of the reporting bank located in Panama.
142200	Time deposits with a maturity date of up to 186 calendar days from the date of the liquidity report placed in the reporting bank's parent company, subsidiaries, branch offices and/or affiliates located in Panama.
142300	Time deposits with a maturity date of up to 186 calendar days from the date of the liquidity report placed in the Banco Nacional de Panamá
142400	Time deposits with a maturity date of up to 186 calendar days from the date of the liquidity report placed in the reporting bank's correspondent banks located in Panama.
143100	Time deposits with a maturity date of up to 186 calendar days from the

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liquidity report placed in Other Financial Institutions located in Panama. **Not part of weekly legal liquidity.** To be used in the monthly liquidity report.

- 144100 Time deposits with a maturity date over 186 calendar days placed in the reporting bank's parent company, branch offices, subsidiaries and/or affiliates located in Panama. **Not part of weekly legal liquidity.** To be used in the monthly liquidity report.
- 144200 Time deposits with a maturity date over 186 calendar days placed in the Banco Nacional de Panamá. **Not part of weekly legal liquidity.** To be used in the monthly liquidity report.
- 144300 Time deposits with a maturity date over 186 calendar days placed in the reporting bank's correspondent banks located in Panama. **Not part of weekly legal liquidity.** To be used in the monthly liquidity report.
- 144400 Time deposits with a maturity date over 186 calendar days placed in other banks in Panama. **Not part of weekly legal liquidity.** To be used in the monthly liquidity report.
- 145100 Time deposits with a maturity date over 186 calendar days placed in other financial institutions located in Panama. **Not part of weekly legal liquidity.** To be used in the monthly liquidity report.
- 151100 Treasury Bills issued by the Panamanian Government with a maturity date of not more than one year, at their market value.
- 161100 Tax Payment Certificates issued by the Panamanian State with a maturity date of not more than one year, at their market value.
- 161200 Government Benefit Securities issued by the Panamanian Government with a maturity of not more than one year, at their market value.
- 161400 Obligations issued by the Government of the Republic of Panama meeting the conditions below, at their market value:
- An expiration date greater than one (1) year;
 - Payable in United States dollars or another currency that is freely convertible and transferrable in the Superintendency's judgment; and
 - Publicly listed periodically in an active market.
- (See the exception in Proviso 2). Article 1, Paragraph 4, Rule 2-2011.²
- 171100 Demand deposits placed in overseas banking entities classified as parent company, subsidiary, branch office and/or affiliate of a reporting bank,

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and having an international long-term rating not less than BBB-/Baa3 or an international short-term rating not less than A-3/P-3 issued by a recognized risk rating agency.³

- 171200 Demand deposits placed in correspondent banks abroad having an international long-term rating not less than BBB-/Baa3 or an international short-term rating not less than A-3/P-3 issued by a recognized risk rating agency.³
- 171300 Demand deposits placed in other banks abroad having an international long-term rating not less than BBB-/Baa3 or an international short-term rating not less than A-3/P-3 issued by a recognized risk rating agency, or placed in another bank approved by the Superintendency and payable in legal currency in Panama.³
- 172100 Demand deposits with a maturity date of up to 186 calendar days from the liquidity report, placed in overseas banks classified as parent company, subsidiary, branch office and/or affiliate of the reporting bank and having an international long-term rating not less than BBB-/Baa3 or an international short-term rating not less than A-3/P-3 issued by a recognized risk rating agency.³
- 172200 Time deposits with a maturity date of up to 186 calendar days from the liquidity report, placed in correspondent banks abroad having an international long-term rating not less than BBB-/Baa3 or with an international short-term rating not less than A-3/P-3 issued by a recognized risk rating agency.³
- 172300 Time deposits with a maturity date of up to 186 calendar days from the liquidity report, placed in correspondent banks abroad having an international long-term rating not less than BBB-/Baa3 or an international short-term rating not less than A-3/P-3 issued by a recognized risk rating agency, or placed in another bank approved by the Superintendency and payable in legal currency in Panama.³
- 173100 Demand deposits with a maturity date of up to 186 calendar days from the liquidity report, placed in other financial institutions abroad. **Not part of weekly legal liquidity.** To be used in the weekly and monthly liquidity report.
- 174100 Time deposits with a maturity date over 186 calendar days, placed in the reporting bank's parent company, subsidiaries, branch offices and/or affiliates located abroad. **Not part of the weekly legal liquidity.** To be used in the weekly and monthly liquidity report.

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- 174200 Time deposits with a maturity date over 186 calendar days placed in correspondent banks located abroad. **Not part of the weekly legal liquidity.** To be used in the weekly and monthly liquidity report.
- 174300 Time deposits with a maturity date over 186 calendar days placed in other banks located abroad. **Not part of the weekly legal liquidity.** To be used in the weekly and monthly liquidity report.
- 175100 Time deposits with a maturity date over 186 calendar days placed in other financial institutions located abroad. **Not part of the weekly legal liquidity.** To be used in the weekly and monthly liquidity report.
- 181100 Bank obligations payable in Panama upon request or within 186 calendar days of the liquidity report.⁴
- 182100 Obligations issued by foreign governments, payable in currency acceptable in the Superintendency's judgment, actively traded in a stock market and rated investment grade by an internationally recognized risk rating agency, at their market value.⁵
- 182200 Obligations issued by international financial organizations of which Panama is a member, including multilateral development banks, which are actively traded in stock markets and are rated investment grade by an internationally recognized risk rating agency, at their market value.
- 182300 Obligations issued by Panamanian private companies actively traded in stock markets and rated investment grade by an internationally recognized risk rating agency, at their market value.⁶
- 182400 Obligations issued by foreign private companies actively traded in stock markets and rated investment grade by an internationally recognized risk rating agency, at their market value.⁶
- 183200 Obligations issued by Panamanian private companies collateralized by General License Banks in Panama, as long as those companies are not part of the same economic group of the guarantor bank.⁷
- 184100 Obligations issued as mortgage loans by foreign private and/or government agencies with long-term ratings of AAA/Aaa and payable in United States dollars or in another currency freely convertible and transferable in the Superintendency's judgment. These obligations should have an investment grade and must be periodically listed in an active stock market. e.g.: obligations issued by Fannie Mae, Ginnie Mae or Freddie Mac.⁸

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185100 Obligations below investment grade issued by foreign governments will be accepted pursuant to the provisions of the issuer's risk rating weighting chart.⁹

The total amount of securities must be reported in this accounting line because the weighting is made by the system according to the rating reported in the relevant field.

**LIQUID ASSETS INCLUDED AT UP TO 45% OF THEIR VALUE FOR THE
CALCULATION OF THE LEGAL LIQUIDITY INDEX**

CODE	DESCRIPTION
191100	Payments towards the capital on loans payable in Panama up to 186 calendar days from the liquidity report, classified within the normal category pursuant to the Rule on Loan Ratings. ¹⁰
191200	Payment of the interest on loans payable in Panama up to 186 calendar days from the liquidity report, classified within the normal category. ¹⁰
191300	Total balance of the Internal Loan Portfolio. Not part of the weekly legal liquidity.

**OTHER LIQUID ASSETS INCLUDED AT UP TO 50% OF THEIR VALUE FOR
THE CALCULATION OF THE LEGAL LIQUIDITY INDEX**
(Amended by Rule 2-2011)

CODE	REMARKS
192100	Obligations issued by Panamanian private companies, with a maturity date under 186 days, payable in United States dollars or in another currency freely convertible and transferable in the Superintendency's judgment, periodically listed in an active market, at their market value. Investment grade is not required. ¹¹
192200	Obligations issued by foreign private companies, payable in United States dollars or in another currency freely convertible and transferrable in the Superintendency's judgment, with a long-term rating not less than BB+/Bal or short-term B/NP rating, periodically listed in an organized market, at their market value. ¹²
192300	Obligations issued by Panamanian private companies payable on

demand or at term, guaranteed by foreign banks with investment grade, as long as those companies do not belong to the same economic group as the guarantor bank.¹³

192400 Obligations issued by the Government of the Republic of Panama, meeting the conditions below, at their market value,:

- a. A maturity date under one (1) year;
- b. Payable in United States dollars or in another currency freely convertible and transferable in the Superintendency's judgment; and
- c. Publicly listed periodically in an active stock market.

(See exception in Proviso 2). Article 1, Paragraph 4 of Rule 2-2011.¹⁴

192500 Obligations issued by Panamanian Public Entities whose long-term risk rating is not below the Republic of Panama's risk rating in accordance with an internationally recognized risk rating agency, expressed in United States dollars or in another currency freely convertible and transferrable in the Superintendency's judgment, periodically listed in an active market, at their market value.¹⁵

¹ Article 15 of Rule 4-2008. When it is deemed convenient, the Superintendent may indicate to a bank in particular a maximum percentage of deposits and other allocations that could be maintained in banks within its Economic Group and/or in banks within the same banking marketplace.

² Article 1 of Rule 2-2011. PROVISIO 2: EXCEPTION. Assets described in paragraph 4 of this article will be exempt from the application of the percentage established in proviso 1 and their participation in the minimum legal liquidity portfolio will not be limited. The exception contained in this proviso will only be applied to these assets as long as the Republic of Panama maintains an international investment rating. Otherwise, these obligations will fall under the provisions of proviso 1 of this article.

³ Article 5 of Rule 4-2008. For the purposes of paragraph 5 of article 75 of the Banking Law, Foreign Banks having an international long-term rating not less than BBB-/Baa3 or an international short-term rating not less than A-3/P-3 issued by a recognized risk rating agency are acceptable.

⁴ Article 12 of Rule 4-2008. For the purposes of paragraph 3 of article 75 of the Banking Law and paragraph 3 of article 10 of this Rule, a bank obligation will be considered payable in Panama if it is subject to Panamanian law, regardless of where the payment is made.

⁵ Article 6 of Rule 4-2008. For the purposes of paragraph 6 of article 75 of the Banking Law, the obligations issued by foreign governments, actively traded in international stock markets in a currency acceptable to the Superintendency, are acceptable.

⁶ Paragraph 7 of article 75 of the Banking Law.

⁷ Paragraph 8 of article 75 of the Banking Law.

⁸ Article 8 of Rule 4-2008. For the purposes of paragraph 7 of article 75 of the Banking Law, those securities guaranteed with mortgages, issued by foreign private and government agencies whose international long-term rating is not less than AAA/Aaa and that will allow the investor to receive a prorated share of all cash flow generated by a mortgage package, are accepted as liquid assets.

⁹ Article 6 of Rule 4-2008.

¹⁰ Article 1, Board of Directors Resolution SBP-JD-0033-2012.

¹¹ Article 1, Paragraph 1 of Rule 2-2011. Paragraph 10 of Article 75 of the Banking Law.

¹² Article 1, Paragraph 2 of Rule 2-2011. Paragraph 10 of Article 75 of the Banking Law.

- ¹³ Article 1, Paragraph 3 of Rule 2-2011. Paragraph 10 of Article 75 of the Banking Law.
- ¹⁴ Article 1, Paragraph 4 of Rule 2-2011. PROVISIO 2: EXCEPTION. Assets described in paragraph 4 of this article will be exempt from the application of the percentage established in proviso 1 and their participation in the minimum legal liquidity portfolio will not be limited. The exception contained in this proviso will only be applied to these assets as long as the Republic of Panama maintains an international investment rating. Otherwise, these liabilities will fall under the provisions of proviso 1 of this article.
- ¹⁵ Article 1, Number 5 of Rule 2-2011. Paragraph 10 of Article 75 of the Banking Law.

TRANSLATION