



AGREEMENT Nº 2-99

(Of May 11, 1999)

THE BOARD OF DIRECTORS,
Exercising its Legal Authority, and

WHEREAS:

That according to Numeral 3 or Article 16 of Law Decree 9 of February 26 of 1998, it corresponds to this Superintendency to establish Standards for the application of limits to the credit concentration established by Articles 64 of said Law Decree for Banks with a General License, and

That the need and advisability of establishing, at the administrative level, the interpretation and scope of Articles 64 and 66 of Law Decree 9 of February 26 of 1998, in relation to Banks with General License (Related Parties) has become evident during the working sessions and consultation of this Superintendency

APPROVES:

ARTICLE 1: RELATED PARTIES. For the effects of the application of credit limits to Related Parties established by Article 64 (Numerals 2 and 4) of Law Decree 9 of February 26 of 1998, the following will be considered as Related Parties with a Bank in particular:

1. Any of the following natural persons:
 1. Director or Officer of the Bank.
 2. Shareholder of the bank in a proportion of 5% or more of outstanding shares.
 3. General Manager of the Bank or other employee of the Bank.
 4. Spouse of any of the persons of previous Numerals 1.1 and 1.3.
2. Any of the following juridical persons:
 1. A corporation that has a common director or officer with the Bank
 2. A corporation with shareholders in a proportion higher than 20% of the outstanding stock who is at the same time director or officer of the Bank
 3. A corporation of which the Bank itself is shareholder in a proportion higher than 20% of the outstanding stock.
 4. A corporation shareholder of the Bank in a proportion higher than 5% or more of outstanding shares.
 5. A corporation main debtor of the Bank with a loan whose guarantor or co-debtor is at the same time a director or an officer of the bank.
3. Corporation of which the Bank, individually, has the necessary votes in said corporation to elect, by itself, the majority of the directors of said corporation, or to name the Legal Representative or General Counsel or the Executive of the highest level of said corporation, or to veto decisions against these matters. The Bank that acts this way will be considered as "comptroller."

4. The natural person that, individually, have by himself/herself the necessary votes to elect the majority of the directors or the Bank or to name the Legal Representative or General Counsel or Executive of the highest level of the Bank or to veto decisions against these matters. This person will be considered as “comptroller” of the Bank.

5. Corporations that have a common comptroller with the Bank.

6. Corporations that have the Bank as common “comptroller”.

PARAGRAPH 1: INDIRECT RELATED PARTIES: A corporation with a common shareholder with the bank will also be considered as Related Party, if such common shareholder owns more than 20% of the outstanding shares of said corporation and more than 8% of the outstanding shares of the bank, even if the characteristics of the borrower do not conform to those listed in Article 1.

PARAGRAPH 2: RECIPROCAL RELATED PARTIES: A Related Party from another Bank who has received, from the first Bank, a loan or credit facility under reciprocity or triangulation conditions will also be considered as Related party.

It is understood that there are conditions of reciprocity between two Banks, when the conditions of amount, terms, interests and/or guarantees of both loans or credit facilities are equal, or individually show differences on the amount, term, interests and/or guarantees but that when considered jointly with the rest of the portfolio intended for that purpose, - according to what the inspections shows – to the opinion of the Superintendency of Banks shows as the objective of those portfolios only the objective of eluding the consideration of related parties.

It is understood that there is triangulation when more than two Banks participate for similar purposes to the referred reciprocity.

PARAGRAPH 3: PRESUMED RELATED PARTIES: In case of doubt, the Superintendency maintains the right to Consider as loan or credit facilities to Related Parties, even though the borrowers do not have the characteristics of the persons referred to in Article 1 of this Agreement, those that have one or several of the following conditions:

1. That the borrower does not have an equity debt relation at least similar to the one the Bank usually requires from another client to back credit on similar amounts, term and guarantee conditions;
2. That the Bank does not have the history of the activities of the borrower; or
3. That the Bank does not have a file with the identity of the natural persons that are final shareholders of a borrowing corporation.
4. That the Bank maintains a credit balance on the borrower for an amount higher than the double of the paid capital funds of said borrower, being the principal debtor or as guarantor.
5. That the borrower maintains more than 50% of his assets committed as guarantee in favor of the Bank, or invested in titles issued by the Bank.

The presumptions of this Paragraph admit proof to the contrary by the interested Bank.

ARTICLE 2: OTHER PARTIES RELATED WITH THE BANK: EMPLOYEES: Any person that works with the Bank under a work contract or by appointment or

administrative contract, in the event of Banks governed by public law is equally considered as Related Parties with a particular Bank.

In these cases, the credit limit of 100% of the annual remuneration of the borrower will be applied, established by Article 64 (Numeral 3) of Law Decree 9 of February 26, 1998, without detriment of the previous exceptions in Numerals 1, 2, 3 and 4 or Article 5 of this Agreement.

ARTICLE 3: LIMITS TO SIMPLE CREDITS. In the event of Article 1, the limit of credit of 5% of the capital funds of the Bank will be applied, established according to Article 64 of Law Decree 9 of 1998 to a person that is Related Party to the Bank computing loan and credit facilities granted to that person and to any other Particular Economic Group of that person, according to what is provided for in Article 1 of Agreement N° 1-99 of May 11 of 1999, without detriment to the exceptions established by Article 5 of this Agreement.

In the event of loans and credit facilities granted to a subsidiary of the Bank exclusively for, in turn, grant loans or credit facilities to other persons, the application of the limit can be complied with in relation to the loan or credit facilities granted by those subsidiaries to those persons, as long as – subject to the verification of the Superintendency through the periodic reports presented by the Bank and/or through the inspections made by the Superintendency of Banks and/or subsidiaries.

1. The loan or credit facility granted by these subsidiaries to these persons strictly comply with the limits established for ONE (1) person by Article 63 of Law Decree 9 of 1998 or with the limit established for Related Parties by Article 64 of said Decree. This compliance will be required, measured and verified in relation with the Bank as if it had been directly granted by it; and
2. The borrowing subsidiary consolidates with the Bank; and
3. The subsidiary is dedicated to activities of financial draft such as financial firms established according to Law 20 of 1986, credit card operators, general storage warehouses, financial leasing firms, factoring firms, insurance companies and other financial intermediaries approved by the Superintendency.
4. The loan or credit facility granted by this subsidiary strictly complies with the usual parameters of discretion established by the credit policies of the Bank; and
5. The Bank as well as the subsidiary complies with any other requirement ordered by the Superintendent.

In the event to the contrary or the omission of any of the conditions referred to in Numerals 1 to 5, the application of the limit will be made in relation to the loan or credit facility granted by the Bank to its subsidiary.

ARTICLE 4: The accumulation of loans without guarantee or real guarantee that are not deposits, granted by the Bank and the entities that constitute an economic group

with it, to related parties according to this Agreement, cannot exceed in any event 75% of the Capital Funds of the Bank.

The percentage referred to in the previous paragraph will remain at 50% after the third year of the effect of this Agreement, and 25% as of the sixth year.

ARTICLE 5: EXCEPTIONS: The following exceptions are recognized in the application of the limits referred to in Articles 3 and 4:

1. When the loan or facility is granted for the main residence of directive personnel, officers, executives and others of the Bank, or their spouses, with mortgage guarantees, according to the established plans of the Bank for that purpose.
2. When the loan or facility is granted for personal use of the directors, officers, executive and other personnel of the Bank, or their spouses, with real guarantee.
3. When the loan or credit facility granted is duly guaranteed through a collateral deposit at the same bank, for the amount of the guarantee.
4. When the loan or credit facility granted is guaranteed with other real guarantees different from the deposits referred to in Numeral 3 of this Article. In that event, instead of 5%, the applicable limit is 10% of the capital funds of the Bank.
5. When it corresponds to loans or credit facilities granted to an Investment Fund or Pension Fund or Severance Fund under the administration of the lender Bank or – one of the subsidiaries of said Bank – destined to finance the authorized investment of said Funds, as long as:
 - 5.1 It corresponds to public or open Funds; and
 - 5.2 The loan or credit facility granted to the Fund strictly complies with the usual parameters of discretion established in the credit policies of the Bank; and
 - 5.3 The Bank complies with any other requisite requested by the Superintendent.
6. When it corresponds to loans or credit facilities granted to a subsidiary of the Bank exclusively to finance the acquisition – for purchase or construction – of the building housing the Bank, for any of its offices, as long as:
 1. The borrowing subsidiary consolidates with the Bank;
 2. The subsidiary works only acting as owner of the building that houses the offices of the Bank, for any of its offices, abstaining from acting with similar purposes in relation with buildings destined for the operation of other companies;
 3. The loan or credit facilities granted to this subsidiary strictly complies with the usual parameters of discretion established in the credit policies of the Bank; and
 4. The Bank, as well as the subsidiary complies with any other requirement requested by the Superintendent.
7. When the loan or credit facility granted by Official Banks of the Republic of Panama to the Panamanian State, or is guaranteed by it, according with the interpretation criteria or Article 150 of Law Decree N° 9 of 1998.

ARTICLE 6: NOTION OF BANK AND CONSOLIDATION. For 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. Therefore, the basis for capital funds for the application of the limits established in Article 64 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.
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 7: DIRECT OR INDIRECT MODALITY. The application of the established limits according to Article 64 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 8: NOTIFICATION OF LOANS TO RELATED PARTIES. All Banks must present to the Superintendency, in the form, periodicity and content specified by the Superintendent, a list of loans and credit facilities granted to borrowers that are Related Parties with the Bank according to Articles 1 and 2 of this Agreement.

ARTICLE 9: DEADLINE TO ADJUST TO THE LIMITS OF THESE REGULATIONS. The deadlines established by Articles 10 and 11 of Agreement N° 5-98 of October 14 of 1998 are in effect.

ARTICLE 10: VALIDITY. Without detriment of 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

