



Republica de Panamá
SUPERINTENDENCIA DE BANCOS

CERTIFIED TRANSLATION

Republic of Panama
Superintendency of Banks
Agreement No. 1-2002

The Board of Directors of the Superintendency of Banks

In use of its legal powers, and

WHEREAS:

In accordance with Numeral 3 of Article 5 of Decree-Law 9 of February 26, 1998, it is the duty of the Superintendency of Banks to promote the public confidence in the banking system.

In accordance with Numeral 9 of Article 16 of said Decree-Law, it is the faculty of the Board of Directors of the Superintendency of Banks to fix accounting requirements in connection with the financial information to be provided by the banks.

In accordance with Numeral 10 of Article 16 of Decree-Law 9 of February 26 of 1998 it is the faculty of the Board of Directors of the Superintendency of Banks to fix the rules to be followed by the Banks concerning their accounting.

In accordance with Numeral 7 of Article 17 of the above-mentioned Decree-Law, it is the faculty of the Superintendency of Banks to order the publication of the Financial Statements of Banks with the frequency and contents it may deem convenient.

In accordance with Numeral 23 of Article 17 of Decree-Law 9 of February 26 of 1998, the Banks Superintendent has the faculty to establish prevention programs that allow the financial situation of banks to be known, as well as to verify the truthfulness of the information remitted by the banks to the Superintendency of Banks.

In accordance with Numeral 28 of Article 17 of the above-mentioned Decree-Law, the Banks Superintendent has the faculty to monitor that the Banks provide to their customers information ensuring the highest transparency of their monitor operations.

In accordance with Article 55 of Decree-Law 9 of February 26 of 1998, banks with general and international license must submit to the Superintendency their respective Financial Statements concerning their operations performed in or from the Republic of Panama, as the case may be, which shall bear the signature of the legal representative or a General Attorney-in-fact of the Bank, and shall be audited and submitted in accordance with the technical rules established by the Superintendency .

Based upon Article 56 of Decree-Law 9 of February 26, 1998, the Banks shall display throughout the year in a conspicuous site accessible to public in each one of their Establishments in Panama, a copy of their last audited Financial Statements – with its respective clarifying notes, if any – and shall publish them in a newspaper of national circulation in the Republic of Panama within the three (3) months following to the closing of each fiscal year.

In accordance with Article 60 of Decree Law No. 9 of February 26, 1998, every bank shall designate annually, at its own cost, expert certified public accountants in the judgment of the Superintendency and professionally qualified, whose duty shall be to submit a report to the shareholders or partners of every Panamanian Bank or to the head office of Foreign Banks concerning the fiscal period; and in said report such auditors shall make of record

whether, in their judgment, the Financial Statements are complete, reasonable and show the true and correct statement of the operations of the Bank.

In accordance with Article 150 of Decree-Law 9 of February 26, 1998, the official banks are subject to inspection and surveillance of the General Comptroller's Office of the Republic in the terms of the Constitution and the Law, and the Supervision of the Superintendency of Banks as well as the standards, rules and requirements which, in accordance with Decree-Law 9 of February 26, 1998, are applicable to the rest of the Banks for the same type of operations in question.

AGREES:

ARTICLE 1. SCOPE OF APPLICATION. The provisions of the present Agreement shall be applied to the General License Banks, Official Banks and International License Banks.

ARTICLE 2. RESPONSIBILITY OF THE BOARD OF DIRECTORS OF BANKS. The Board of Directors of Banks is responsible for the reliability of the Financial Statements of their respective Banks. Additionally, it is responsible of ensuring that the general external auditing plan is consistent and adequate to meet the aspects of financial information related with the most significant areas and risk areas of the banking business of the institution, such as it is set forth in Agreement 4-2001.

ARTICLE 3. AUDIT COMMITTEE. The Board of Directors of the Banks subject to this Agreement shall constitute an Internal Audit Committee consisting of Directors not taking part in the daily course of business of the Bank, such as it is set forth in Article 11 of Agreement 4-2001, which shall watch for the performance of the duties set forth in the above-mentioned Agreement.

In the case of Banks being branches of foreign Banks, this may be evidenced, as may be pertinent, by means of an annual certification from its Head Office wherein it is certified that the latter has the structures and the organization of an Audit Committee.

ARTICLE 4. BASIC CHARACTERISTICS OF THE EXTERNAL AUDITING. The External Audit program shall provide the Board of Directors of the Bank and its Shareholders, in a competent and independent way, with information and evaluation of the internal controls of the Bank, the accuracy and reliability of the recording of facts affecting materially the bank, and the transactions performed by the latter, and the integrity of financial statements of the institution, which shall be prepared in accordance with the provisions set forth in Agreement No. 4-99.

Specifically, and without undermining all of the duties, obligations, functions and faculties originating in the nature and regulations relating to the profession, external auditors, at the request of the Board of Directors of the Bank, shall evaluate the capacity of the accounting systems and management information and internal controls to:

1. Identify, measure and control adequately the risks assumed by the Bank.
2. Provide the Bank administration with relevant and timely information allowing to carry out an effective management proceeding.
3. Generate reports and reliable and faithful data that the Superintendency of Banks may request.

ARTICLE 5. SPECIAL REPORTS. The Boards of Directors of the Banks shall request to the external auditors, within the term foreseen for the delivery of the audited financial statements, to remit in a separate document and with copy to the Superintendency of Banks, reports prepared by their external auditors on the following aspects:

1. The accounting principles followed by the Bank administration.
2. The consistency with which said principles are actually applied.
3. The incorporation of the various standards issued by the Superintendency of Banks to the accounting practices followed by the banking institution.

4. The financial impact of any discrepancy between the accounting principles referred to in Agreement 4-99 and the accounting practice followed by the administration in preparing the Financial Statements.
5. Findings of alleged material activities putting at risk the bank's operations.
6. Questionable transactions with affiliated companies or companies belonging to the same Economic Group as the Bank.
7. Evidence of improper use of privileged information.
8. Observance of the Recommendations made in the past by the external auditors of the Bank.
9. Any acts or irregular situations detected throughout the course of the external auditing.

The Banks shall maintain at the disposal of the Superintendency of Banks copy of the letters to the management prepared by their external auditors by reason on the occasion of the preparation of the audited financial statements and the correspondence that has been remitted by the Bank to the auditors in response.

ARTICLE 6. EXTERNAL AUDITORS CONTRACTING NOTICE. The Board of Directors of the Bank or the General Manager, within sixty (60) days prior to the beginning of each fiscal term, shall inform to the Superintendency of Banks, in writing, the name of the Certified Public Accountants firm that it wishes to contract to carry out the duty of external auditing, for the new fiscal term.

ARTICLE 7. MINIMUM RESPONSIBILITIES OF THE EXTERNAL AUDITOR. The Bank shall demand to the external auditor the following minimum responsibilities:

1. To issue an independent opinion regarding whether or not the Financial Statements present reasonably the financial position of the Bank and the result of its operations, in accordance with the accounting principles under which they have applied.
2. To apply the auditing standards referred to in Agreement 4-99.
3. To observe the Code of Professional Ethics discussed in Chapter V of Law 57 of September 1, 1978.
4. To inform in writing to the Audit Committee the occurrence, of any act or alleged material or significant irregularities that have been detected in the banking institution.
5. To prepare the special reports referred to in Article 5 above.

ARTICLE 8. INDEPENDENCE OF THE CERTIFIED PUBLIC ACCOUNTANT FIRMS. The Bank will not be able to contract as external auditor, any certified public accountant or firm of certified public accountants wherein any one of their partners or officers or persons making a part of the auditing staff incurs in incompatibilities as established herein below, without undermining others that could be established by the Superintendency of Banks, later:

1. To have been or be an officer in the audited bank, its affiliates, subsidiaries or entities making part of their economic group throughout the last two audited fiscal terms.
2. To possess either directly or through third parties, economic interests or links with the businesses of the audited bank or with the Economic Group whereof the audited bank makes a part of, with the shareholders holding equal or higher shares at 5% of the corporate capital or with the members of the board of directors of the audited bank or its economic group.

3. To be practicing stock exchange brokers
4. To be a debtor of the audited bank or of the entities making a part of its Economic Group, if the credits have been granted in a more favorable condition than those of the market or the loan is classified in a sub-normal or higher risk category as established in Agreement 6-2000.
5. To provide other professional advise services to the audited bank, leading to an active participation in the management decision making or compromising the independence of the External Auditor to issue his objective and professional opinion.
6. To receive services from the audited bank in more favorable conditions than those of the market.

ARTICLE 9. ROTATION OF EXTERNAL AUDITORS. The banks shall agree with its external auditors, the rotation every three (3) years of its auditors team, including managers and partners. The rotation includes also expert staff members that are used in audits (fiscal, system, and other auditors).

It shall only be permitted that at the time of carrying out the rotation, that a member of the auditing team that had been serving the bank remains for an additional term of one year. The person remaining for the additional time, may not be the partner that was auditing the bank.

The bank shall send in writing to the Superintendency of Banks, within the thirty (30) days previous to the beginning of the duties of annual auditing, the name of its external auditors and the detail of the auditors making a part of the auditing team, as well as any modification of the team for the purposes established in the present article.

ARTICLE 10. This agreement shall start in effect counting from its promulgation.

Given in the city of Panama, this first (1st) day of the month of March of the year two thousand and two (2002).

BE IT PUBLISHED AND COMPLIED

THE PRESIDENT

THE SECRETARY a.i.

Félix B. Maduro

Joseph Fidanque, Jr.

 THE ABOVE IS A FAITHFUL TRANSLATION OF THE ORIGINAL IN SPANISH. Panamá, April 26, 2002. Mireya Delgado Debali, Certified Public Translator, Resolutions No. 209 and 304.