

# Republic of Panama

## Superintendency of Banks

**Agreement No. 10-2003**  
(of December 17, 2003)

**THE BOARD OF DIRECTORS**  
In exercise of its legal faculties, and

### WHEREAS:

Pursuant to Number 1 of Article 5 of Decree Law No. 9 of 1998, the Superintendency of Banks is responsible for preserving the soundness and efficiency of the banking system;

Pursuant to Number 2 of Article 5 of Decree Law No. 9 of 1998, the Superintendency of Banks is responsible for strengthening and fostering auspicious conditions conducive to the development of Panama as an international financial center;

Pursuant to Numbers 5 and 6 of Article 17 of Decree Law No. 9 of February 26, 1998, the Superintendent is empowered to authorize the merger and consolidation of Banks and of Economic Groups of which a Bank is a member, and to authorize the acquisition and transfer of shares of Banks and Economic Groups of which a Banks is a member, where the acquirer and other linked natural or juridical persons, become sole or majority owners or obtain administrative control thereof;

Pursuant to Article 71 of Decree Law No. 9 of February 26, 1998, Banks engaged in the business of banking in or from Panama are not authorized to merge or consolidate, nor sell all or part of their assets, whenever such actions may be equivalent to a merger or consolidation, without obtaining prior authorization from the Superintendency of Banks;

Pursuant to Circular No. 23-1002 of May 14, 2002, requirements are established for applications for mergers and acquisition or transfer of shares;

Pursuant to Number 7 of Article 16 of Decree Law No. 9 of 1998, the Board of Directors is responsible for determining the interpretation and scope of legal and regulatory banking guidelines in the administrative realm;

That in the course of joint work sessions of this Board of Directors and the Superintendency of Banks, there became evident the convenience of adopting new measures and objective criteria to standardize procedures for applications for authorization of Bank mergers and the acquisition or transfer of their shares.

### AGREES:

**Article 1: SCOPE OF APPLICATION.** This Agreement shall be applicable to: a) Banks or Economic Groups of which a Bank is a member and juridical or natural persons holding shares of Banks, who intend to effect an acquisition or transfer of banking entities shares which results in a change of control; and, b) Banks or Economic Groups of which a Bank is a member, intending to merge or consolidate.

### ACQUISITION OR TRANSFER OF SHARES

**Article 2: AUTHORIZATION FROM THE SUPERINTENDENT FOR THE ACQUISITION OR TRANSFER OF SHARES.** Transfers of shares of Banks and Economic Groups of which a Bank is a member, as well as any modification in shareholder participation in the capital of said Banks, shall require prior authorization from the Superintendent, pursuant to provisions set forth in the present Agreement, whenever such action causes a change in control.

**Article 3: CONCEPT OF CHANGE OF CONTROL.** For the effects of this Agreement, Change of Control shall be understood to be the acquisition or transfer of shares of Banks or Economic Groups of which Banks are a member, when, as a result, the buyer or other linked natural or juridical persons, or a group of natural or juridical persons acting in concert, become the sole or majority owner or obtain direct or indirect control of its

management, or exercise prevailing influence by controlling 20% or more of the total shares.

**NOTE:** The foregoing notwithstanding, transfers not exceeding of less than 20% of shares shall also require authorization by the Superintendent whenever the outcome of the acquisition operation exceeds 20% of the shares and a change of control has occurred pursuant to provisions of the present Agreement,.

**Article 4: ACTING IN CONCERT.** Acting in concert or joint action shall be understood to be the knowing participation in a joint activity or parallel action in furtherance of the common goal to acquire control irregardless of the existence, or lack thereof, of an express agreement. The term may also be understood to be the combined votes and other interests guided by a common purpose, pursuant to any contract, understanding, relation or agreement, whether or not existing in writing.

**Article 5: PRIOR NOTIFICATION AND MEETING.** Authorized representatives of any Bank or Economic Group of which a Bank is a member, as well as legal or juridical person shareholders, intending to request authorization for the acquisition or transfer of shares, shall hold a meeting with the Superintendent before the formal submission of said request.

**Article 6: NO OBJECTION.** Following the aforementioned meeting, any Bank or Economic Group of which a Bank is a member, as well as natural or juridical person shareholders, intending to request authorization for the acquisition or transfer of shares, shall submit to the Superintendent a written notification that includes an executive summary indicating the manner of executing the operation, prior to making this intent public.

The Superintendent shall indicate his objection or no objection to the proposed operation after an analysis of the documentation submitted, meetings with applicants, and investigations are carried out.

Wherever deemed convenient, the Superintendent may require compliance with specific quantitative and qualitative conditions.

**Article 7: REQUIREMENTS FOR THE FORMAL AUTHORIZATION OF AN ACQUISITION OR TRANSFER OF SHARES.** The formal application for authorization of an acquisition or transfer of shares shall be presented jointly by the interested parties, duly represented by Legal Counsel. The application for authorization shall be submitted in one original and three (3) complete sets of copies of the following documentation, whenever applicable and according to the Superintendent:

1. Power of Attorney granted to the Legal Counsel by the natural or juridical person shareholders of Banks or Economic Groups of which Banks are a member, as well as natural or juridical persons wishing to acquire said shares.
2. Application for authorization of acquisition or transfer of shares.
3. Minutes of Board of Directors meeting certifying their approval of the acquisition or transfer of shares, respectively.
4. Minutes of Shareholders Meeting certifying the approval to carry out the acquisition or transfer of shares, respectively.
5. Public Registry Certificates of the entities, certifying current information at the time of the acquisition or transfer of shares.
6. Agreement for the acquisition or transfer of shares.
7. Interim Financial Statements of interested institutions, with closure on the last day of the month previous to the date of the Agreement of acquisition or transfer of shares.
8. Organizational and operational structure resulting from the acquisition or transfer of shares.
9. General information concerning the Directors, Officers and Senior Management members to be appointed following the acquisition or transfer of shares.

Additionally, curriculum vitae, banking, commercial and personal references shall be submitted with indication of the source of the information to verify their contents, or request additional information, for all Directors, Officers or Senior Management members whose information is not available in the Superintendency of Banks.

10. A detailed report of proposed transaction, shall include:

- a. Agreement for share purchase.
- b. Purpose of the purchase.
- c. Amount of shares and price.
- d. Percentage controlled by the acquirer after completion of the transaction.
- e. Book value of the acquired share.
- f. Indication as to whether there exist other agreements with another shareholder or other parallel transactions.
- g. Name of the natural or juridical person selling the shares (amount of shares sold and amount retained after the transaction).

11. Source of funds and evidence of capability to execute the transaction:

- a. Copy of a bank account or another document certifying that the new purchaser possesses the necessary funds.
- b. Documents certifying that the acquirer has taken loans to finance the proposed acquisition of shares. If financed, provide all details pertinent to the financing and indicate the expected manner of restitution.
- c. Information concerning any person due any direct or indirect commission for the execution of the transaction.
- d. Provide details on the process of invitation for the purchase of the shares. Must ensure that the transaction complies with financial and securities legal provisions in the Republic of Panama and other countries involved in the Change of Control.
- e. The Superintendency of Banks may carry out all local and international inquiries regarding the persons and information provided, both on the applicant as well as any other person exerting prevailing influence over the applicant.

12. Business Plan: Description of plans the applicant proposes to develop once the acquisition or transfer of shares is authorized (short, medium and long term objectives), with reference to the viability of the Bank and the contribution to the Panamanian economy, such as:

- a. Changes to the Board of Directors and/or Manager. In these cases, information regarding these persons shall be submitted for the evaluation and no objection from the Superintendency.
- b. Sell, liquidate or consolidate operations with other corporations.
- c. Significant changes in the business strategy or corporate structure.

13. General Information concerning the Acquirer: Detailed and accurate information verifying the identify, domicile, address, nationality, occupation, shareholding participation, as well as copy of the personal identification card and/or passport. In the case of a juridical person, this information shall refer to majority shareholders, directors and officers of the acquirer.

14. Curriculum Vitae of the Acquirer: A curriculum vitae, as well as banking, commercial and personal references, indicating the source of the information for its verification or request for additional information. In the case of a juridical person, this information shall refer to majority shareholders, directors and officers of the acquirer.

15. Economic Group or Financial Conglomerate: Information concerning the Economic Group or Financial Conglomerate of which the acquirer is a member, including, particularly, an organizational diagram showing the relationship between the acquirer and the corporations exerting control over the acquirer, and any subsidiary or affiliate; kinship, property, existing control or management; the directors, officers and personnel common to both corporations.

16. Financial Activities of the Economic Group or Financial Conglomerate: Summary of all financial activities engaged by the enterprises comprising the Economic Group or Financial Conglomerate of which the acquirer is a member, including a list of operating jurisdictions of said enterprises.

17. Acquirer's Substantial Investments: List of all corporations in which the acquirer and its consolidating subsidiaries possess, singly or jointly with other persons, a capital investment exceeding 20% of the capital or exceeding 10% of voting rights respectively.
18. Capital Distribution: Percentage of acquirer's participation in the paid-in capital stock with voting rights of the entity becoming the owner of transferred shares.
19. Audited Consolidated Financial Statements: Audited consolidated financial statements of the acquirer and its Economic Group corresponding to the last two fiscal year closures.
20. Registration and Authorization of Auditors: Name of the acquirer's external auditor, along with certification of the Republic of Panama Ministry of Commerce and Industries Technical Board, or equivalent Authority, certifying that the external auditor countersigning the acquirer's Financial Statements is duly authorized to practice that profession.
21. Publications and Annual Reports: The most recent Annual Report or similar publication containing information concerning the acquirer or the Economic Group of which it is a member, such as, incorporation, changes in objectives, mergers or consolidations, management of operations, local and foreign banking entities (subsidiaries, branches, representation offices and agencies), links with other financial institutions, and, in general, the results of indicators of management, profitability, growth and assets at risk, their liabilities and their capital stock.
22. Risk Administration: Risk management procedures, policies, manuals and other documents addressing important banking risk management, such as credit risks, interest rates, operation, liquidity and legal issues.
23. Where the acquirer operates as a Bank in its home country, or is a member of a financial conglomerate that includes Banks operating in its home country, the Superintendency shall require a certification issued by the home country Banking Supervisory Entity, indicating the entity's consolidated and cross-border supervision of the acquirer, as well as the frequency and extension of its inspections.
24. Other Financial Information concerning the Acquirer: Pertaining to branches, reports on asset portfolio classification and term structure of assets and liabilities, as well as the Bank's position in its home location, according to principal financial indicators (total assets, portfolio, deposits and capital) and the most recent ranking by the supervisory authority.
25. Applicant's sworn statement certifying that the information provided is complete, without misrepresentations or material omissions. The Superintendency of Banks shall be notified immediately of any changes in the information submitted if such occur before a decision is made.
26. Forms required by the Superintendency for the authorization of an acquisition or transfer of shares shall be fully completed.
27. Certified or bank's check to cover the expenses of the investigation carried out by the Superintendency of Banks.
28. Any other document, information or requirement deemed appropriate by the Superintendency of Banks, to include personal Financial Statements providing details of financial solvency of majority shareholders or those exercising control of the Bank and its Economic Group to be appointed following the acquisition or transfer of shares.

The information and documentation provided shall be truthful and must be verifiable. The submission of false information and documentation or significant omissions relating to the Change of Control qualifies as a crime pursuant to Chapter I to Title VIII of the Republic of Panama Criminal Code.

**Article 8: ANALYSIS OF REQUESTS FOR AUTHORIZATION OF ACQUISITION OR TRANSFER OF SHARES.** Upon presentation of the application for authorization of an acquisition or transfer of shares, including the documentation listed in the foregoing article, the Superintendency of Banks shall proceed to make pertinent evaluations and shall approve or disapprove the request through a Motivated Resolution within a term not

exceeding sixty (60) days, unless the Superintendency of Banks extends the term for an additional period not exceeding thirty (30) calendar days.

The term established in the present Article shall not begin until such time as the application has been submitted in due form and accepted by the Superintendency of Banks.

**Article 9: PUBLICATION OF APPLICATION.** The applicant shall publicize the request for authorization for an acquisition or transfer of shares during a period of three (3) working days in a national circulation newspaper, within fifteen (15) calendar days after the acceptance of the application by the Superintendency of Banks in the format indicated by the Superintendency.

Persons having relevant observations concerning the acquisition or transfer of shares may submit them in writing to the Superintendency with supporting documentation, if available, within fifteen (15) days following the date of the last publicized notice. The Superintendency is not compelled to make statements regarding such observations.

Relevant observations shall be understood to be those regarding the economic capability and moral solvency of the applicants, as well as their directors, officers, executive officers mentioned in the publicized notice, and, in general, those verifiable circumstances evidencing the inconvenience of the proposed operation.

**Article 10: ISSUANCE OF THE RESOLUTION OF AUTHORIZATION OF THE ACQUISITION OR TRANSFER OF SHARES.** Once the application is approved in the terms considered appropriate, the Superintendency of Banks shall issue a Resolution of Authorization for Acquisition or Transfer of Shares.

**Article 11: FORMALIZATION OF THE ACQUISITION OR TRANSFER OF SHARES.** Once authorized by the Superintendency of Banks, the applicant shall complete all actions leading to the formalization of legal, administrative and operative aspects of the acquisition or transfer of shares within a term not exceeding six (6) months, starting on the date of registration of the authorization resolution in the Public Registry. The term may be extended by the Superintendency upon receipt of a well supported request by the interested party.

After being notified regarding the aforementioned Resolution, the applicant shall, where applicable:

- a) Make a single publication of the resolution within fifteen (15) days following the date of the Resolution in a national circulation newspaper.
- b) Protocolization and registration in the Public Register of the pertinent Agreement and submission of a duly registered copy to the Superintendency. The term for registration of the acquisition or transfer of shares in the Public Registry expires after three (3) months starting on the date of the Resolution. The term may be extended by the Superintendency upon request of the interested party.
- c) Carry out corporate actions conducive to the formalization of legal procedures that allows the acquirer to take over the totality of the shares.

Applicants shall notify the Superintendency of Banks of the finalization of the acquisition or transfer of shares process, within five (5) working days after its culmination.

**Article 12: TRANSFER OF SHARES WITHIN THE SAME ECONOMIC GROUP.** For the effects of the present Agreement, a transfer of shares within the same economic group shall be understood to be those transfers of shares or modifications in the social and legal structure of the Bank, not involving the consideration of new final shareholders.

**Article 13: NOTIFICATION TO THE SUPERINTENDENCY.** The applicant shall give a timely advance notice to the Superintendency of Banks in the cases of transfers of shares within the same Economic Group implying a change of control or representing a corporative reorganization. In the case of Foreign Economic Groups, a Supervisory Entity Certification from the Home Office shall be submitted, indicating a no objection to such transfer of shares.

The Superintendency of Banks shall proceed to analyze the aforementioned notification, and shall notify the applicant within a period of ten (10) working days, the following:

- a) That there is no objection to the notification submitted, thereby the transaction is approved as notified.
- b) That additional documentation is required before a determination of an objection or no objection to the operation can be issued.
- c) That a complete analysis of the operation requires the submission of all documents listed in the present Agreement for acquisitions or transfers of shares.

Where additional documentation is requested and received, the Superintendency of Banks shall proceed to its analysis in order to issue an objection or no objection to the proposed operation.

**Article 14: DISAPPROVAL OF APPLICATIONS.** Applications submitted for an acquisition or transfer of shares shall be disapproved whenever the Superintendent considers that:

1. The Consolidated Supervisor lacks the legal ability to supervise in a consolidated manner, or, if vested with such authority, has not exercised it at the time of submission of the application.
2. The Consolidated Supervisor refuses to certify that it will provide all the information and cooperation necessary to carry out an effective supervision.
3. The transaction may cause an adverse effect to banking competition in Panama that exceeds the possible positive effect to the public interest.
4. The application is found to be incomplete after the term for submission to the Superintendency has expired.
5. The information regarding the reputation and integrity of the applicants cannot be verified or confirmed.
6. There is reasonable doubt concerning the reputation, integrity and experience of the applicants.
7. There is reasonable doubt concerning the source of funds for the acquisition or transfer of shares leading to a change of control.
8. The applicants submitted false information or documentation or omitted substantial information or documentation.
9. There are marked weaknesses in the programs for the prevention of capital laundering and prevention of financing of terrorism.
10. The analyses and evaluations made by the Superintendency of Banks determine the inconvenience of the operation for the banking center.
11. The analyses and evaluations made by the Superintendency of Banks determine the inconvenience of the operation for the acquired or acquiring entity.

#### **ON MERGERS**

**Article 15: CONCEPT.** 'Merger' shall be understood to be the fusion of two or more pre-existing corporations, whether one is absorbed by another or both become a new subsisting corporation, the latter inheriting a universal title to the rights and obligations of the corporations involved.

**Article 16: AUTHORIZATION FOR MERGER.** The merger or consolidation of Panamanian Banks and Banks incorporated as a juridical person pursuant to Panamanian legislation, as well as any modification in the structure of said Banks, and mergers and consolidations of Economic Groups of which Banks are members, shall require previous authorization from the Superintendency of Banks, pursuant to provisions of the present Agreement.

**Article 17: PRIOR NOTIFICATION AND MEETING.** Authorized representatives of Banks or Economic Groups of which the Bank is a member, intending to apply for authorization of a merger, shall hold a meeting with the Superintendent prior to the formal submission of a request for authorization for a merger.

**Article 18: NO OBJECTION.** Following the aforementioned meeting, any Bank or Economic Group of which a Bank is a member, intending to request authorization for the merger, shall submit to the Superintendent of Banks a written notification that includes an executive summary indicating the proposed manner of executing the operation, prior to making this intent public.

The Superintendent shall indicate his **objection or no objection** to the proposed operation after an analysis of the documentation submitted, meetings with applicants, and investigations carried out.

Whenever deemed convenient, the Superintendent may require compliance with specific quantitative and qualitative conditions.

**Article 19: REQUEST FOR AUTHORIZATION OF MERGER.** The formal request for authorization of a merger or consolidation shall be submitted to the Superintendent through legal representation, once approval has been secured from the Shareholding Assemblies of the respective Banks or enterprises of the Economic Group of which the Bank is a member.

**Article 20: REQUIREMENTS FOR THE REQUEST FOR AUTHORIZATION OF MERGER.** The request for authorization of a merger or consolidation shall be submitted in an original and three (3) complete sets of copies of the following documentation:

1. Power-of-Attorney granted by both entities to the Legal Representative.
2. Application for authorization of a merger or consolidation, making reference, among others, to the purpose of the transaction, its principal terms, the financial arrangements made for the transaction, and additional agreements.
3. Minutes of Board of Directors meetings of both entities.
4. Minutes of Shareholders Meetings of both entities certifying the approval to carry out the merger or consolidation, and the Merger or Consolidation Agreement.
5. Approved Merger or Consolidation Agreement.
6. Public Registry Certificates of the entities, certifying current information at the time of the merger or consolidation.
7. Interim Financial Statements of both Banks and its Economic Group, with closure on the last day of the month previous to the date of the Merger or Consolidation Agreement.
8. Prospective Financial Statements projecting results from the merger or consolidation, including a statement of affairs, statement of income and expenses and statements of changes in capital stock, providing details on the basic premises for the projections, which shall include the following information:
  - a. Detailed account of the effects of the merger on the capital stock of the merged institution on the resultant banking institution and on the Consolidated Banking Group, to which the following shall be added:
    - i. The primary capital stock, net surplus, treasury shares, losses not realized, unfavorable conversion adjustments and net of other direct deductions to the primary capital or prorated with the secondary capital.
    - ii. Total capital, net of applicable deductions.
    - iii. Relationships of weighted assets to:
      1. Net primary capital stock.
      2. Total net capital stock.

- b. Details regarding any re-evaluated asset or liability deriving from the transaction. The bases of computation of any substantial re-evaluation shall be provided.
  - c. Concerning the issuance of new capital:
    - i. Provide details of transactions foreseen.
    - ii. Indicate specific dates when transactions are expected to occur.
  - d. Detail all out of balance accounts.
  - e. Detail all intangible assets accounts.
  - f. Detail all Deferred Taxes over Revenue Taxes.
  - g. Detail any other asset devoid of value in the event of liquidation.
  - h. Executive Summary of due diligence studies performed for the transaction.
  - i. Analysis of transactions with a sole person, related parties and Individual Economic Group from the perspective of the resulting institution.
9. Organizational and operative structure resulting from the merger or consolidation, to include general information concerning the Directors, Officers and Senior Management members to be appointed after the merger.

Additionally, the curriculum vitae and banking, commercial and personal references shall be submitted with indication as to the source of the information to verify their contents or request additional information on all Directors, Officers or Senior Management members whose information is not available in the Superintendency of Banks.

10. Merger Plan, duly approved by the Banks or enterprises concerned, containing an implementation chronogram.
11. The Merger Plan shall include expected changes in the resulting banking institution, such as:
- The closure or opening of branches.
  - Elimination and creation of products to be offered.
  - Timely advance notification to the banking entity's users, including savings, checking and term accounts depositors, for a period not exceeding (30) days, to allow them to reach a decision as to whether they will or will not maintain their accounts with the resulting banking institution.
  - Elimination of redundant assets (buildings, systems, equipment, among others).
  - Costs of reduction in force.
  - Costs related to the transaction.
12. Agreements to secure a portion of the transaction or funds to guarantee the quality of the credit portfolio.
13. Details concerning all subsidiaries subjected to the transaction and description of their operations.
14. Details on proposed technological and integration platforms.
15. Contingencies and litigations, including disagreements of minority shareholders.
16. Fusion Impact Study of the resulting Banking entity on the Market, detailing the market participation deriving from the merger of both banking entities, as well as detailed information concerning locations where the Banks operate, by Province. The study shall include a description of the plans that the resulting entity intends to develop.
17. Applicant's sworn statement by the Presidents of the applying Banks or enterprises, certifying that the information provided is complete, without misrepresentations or material omissions. The Superintendency of Banks shall be notified immediately of any changes in the information submitted if such occur before its decision is made.



18. Forms required by the Superintendency for the authorization of a merger of shares shall be fully completed.
19. Certified or bank's check to cover the expenses of the investigation carried out by the Superintendency of Banks.
20. Any other document, information or requirement deemed appropriate by the Superintendency of Banks, to include personal Financial Statements providing details of financial solvency of majority shareholders or those exercising control of the Bank and its Economic Group to be appointed following the merger.

The information and documentation provided shall be truthful and must be verifiable. The submission of false information and documentation or significant omissions qualifies as a crime pursuant to Chapter I to Title VIII of the Republic of Panama Criminal Code.

**Article 21: ANALYSIS OF THE APPLICATION FOR AUTHORIZATION OF MERGER.**

Upon presentation of the application for authorization of a merger, including the documentation listed in the foregoing article, the Superintendency of Banks shall proceed to make pertinent evaluations and shall approve or disapprove the request through a Motivated Resolution within a term not exceeding sixty (60) days, unless the Superintendency of Banks extends the term for an additional period not exceeding thirty (30) calendar days.

The term established in the present Article shall not begin until such time as the application has been submitted in due form and accepted by the Superintendency of Banks.

**Article 22: PUBLICATION OF APPLICATION.** The applicant Banks shall publicize the request for authorization of a merger during a period of three (3) working days in a national circulation newspaper, within fifteen (15) calendar days after the acceptance of the application by the Superintendency of Banks, in the format indicated by the Superintendency.

Persons having relevant observations concerning the merger may submit them in writing to the Superintendency with supporting documentation, if available, within fifteen (15) calendar days following the date of the last publicized notice. The Superintendency is not compelled to make statements regarding such observations.

Relevant observations shall be understood to be those regarding the economic capability and moral solvency of the applicants, as well as their directors, officers, executive officers mentioned in the publicized notice, and, in general, those verifiable circumstances evidencing the inconvenience of the proposed operation.

**Article 23: ISSUANCE OF THE RESOLUTION OF AUTHORIZATION OF THE MERGER.** Once the application is approved in the terms considered appropriate, the Superintendency of Banks shall issue a Resolution of Authorization of Merger.

**Article 24: FORMALIZATION OF THE MERGER.** Once authorized by the Superintendency of Banks, the applicants shall complete all actions leading to the formalization of the legal, administrative and operative aspects of the merger, within a term not exceeding six (6) months, starting on the date of registration of the authorization resolution in the Public Registry. The term may be extended by the Superintendency upon receipt of a well supported request by the interested party.

After being notified regarding the aforementioned Resolution, the applicant shall, where applicable:

- a) Make a single publication of the resolution within fifteen (15) days following the date of the Resolution in a national circulation newspaper.
- b) Protocolization and registration in the Public Register of the Merger Agreement and submission of a duly registered copy to the Superintendency. The term for protocolization and registration of the merger in the Public Registry expires after three (3) months starting on the date of the Resolution. This term may be extended by the Superintendency upon request of the interested party.

- c) Carry out corporate actions conducive to the formalization of legal procedures that allows the new corporation to take over the totality of the capital of the corporation dissolved.

Applicants shall notify the Superintendency of Banks of the finalization of the merger, within five (5) working days after its culmination.

**Article 25: DISAPPROVAL OF APPLICATIONS.** Applications for banking mergers shall be disapproved whenever the Superintendent considers that:

1. The Consolidated Supervisor lacks the legal ability to supervise in a consolidated manner, or, if vested with such authority, has not exercised it at the time of submission of the application.
2. The Consolidated Supervisor refuses to certify that it will provide all the information and cooperation necessary to carry out an effective supervision.
3. The transaction may bring cause an adverse effect to banking competition in Panama that exceeds the possible positive effect to the public interest.
4. The application is found to be incomplete after the term for submission to the Superintendency has expired.
5. The Superintendency of Banks is unable to verify or confirm the information provided regarding the reputation and integrity of the applicants.
6. The Superintendency of Banks considers there is reasonable doubt concerning the reputation, integrity and experience of the applicants.
7. The resulting Board of Directors or Management lacks the necessary experience to manage the new institution.
8. There are solvency and soundness problems in the resulting entity.
9. The merger plan is considered inadequate.
10. The applicants submitted false information or documentation or omitted substantial information or documentation.
11. There is noncompliance with legal or regulatory limits as a result of the merger.
12. There are marked weaknesses in the programs for the prevention of capital laundering and prevention of financing of terrorism.
13. The analyses and evaluations made by the Superintendency of Banks determine the inconvenience of the operation for the banking center.
14. The analyses and evaluations made by the Superintendency of Banks determine the inconvenience of the operation for the acquired or acquiring entity.

**Article 26: FOREIGN MERGERS.** Approval shall be obtained from the Superintendency of Banks and all pertinent information shall be updated on the resulting entity in cases of foreign mergers affecting or involving branches or subsidiaries of Banks located in the Republic of Panama.

**Article 27: OTHER ACQUISITIONS.** In cases of purchase-sale of branches, transfer and/or disposal of deposits or business portfolio, the interested Banks shall provide due advance notice to the Superintendency regarding such operation for its determination of the significance of the impact on the volume or nature of the Bank's business.

The Superintendency of Banks shall proceed to analyze the aforementioned notification, and shall notify the parties within a period of ten (10) working days, the following:

- a. That there is no objection to the notification submitted.
- b. That additional documentation is required before notifying whether the operation is **approved** or not. In such cases, once the information is submitted, the Superintendency shall proceed to its analysis in order to notify whether the proposed operation is **approved** or not.

**Article 28: CONFIDENTIALITY OF THE INFORMATION.** All information relative to actions on mergers or acquisitions of banks shall be maintained by banks and the Superintendency of Banks with due confidentiality until such time as, if formalized, it may be publicized. As a result, it is clearly established that said information is subject to banking confidentiality pursuant to Chapter XIII of Decree Law No. 9 of February 26, 1998.

**Article 29: SANCTIONS FOR NONCOMPLIANCE WITH AGREEMENT.** Noncompliance with provisions contained in the present Agreement shall be punishable by the Superintendent pursuant to Article 137 of Decree Law No. 9 of 1998.

**Article 30: EFFECT.** This agreement shall become effective upon its promulgation.

Given in the city of Panama, on the seventeenth (17th) day of the month of December two thousand three (2003).

**COMMUNICATE, PUBLISH AND ENFORCE:**

**THE PRESIDENT**

**THE SECRETARY**

EDUARDO FERRER

FELIX B. MADURO