

Republic of Panama
Superintendency of Banks

Agreement No. 6-2003
(of September 29, 2003)

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

WHEREAS:

Pursuant to Article 3 of Law No. 10 of January 30, 2002, "Whereby regulations are established relating to the microfinances system", the organization and management of Microfinances Banks (BMF – acronym from the Spanish Bancos de Microfinanzas) is authorized for financial enterprises which main objective is to channel micro and small borrowers' resources in urban and rural areas.

Pursuant to Article 4 of Law No. 10 of January 30, 2002, Microfinances Banks shall be regulated by the Superintendency of Banks, pursuant to Decree Law No. 9 of February 26, 1998 and regulatory provisions thereof;

Pursuant to Superintendency of Banks Agreement 2-2003 of March 12, 2003 conditions were established for the enforcement of Law No. 10 of January 30, 2003;

Pursuant to Number 7 of Article 16 of Decree Law No. 9 of February 26, 1998, the Board of Directors is responsible for determining the interpretation and scope of legal and regulatory banking provisions in the administrative realm;

That in the course of joint work sessions of this Superintendency, there became evident the convenience of modifying Articles 3 and 7 of Agreement 2-2003 of March 12, 2003.

AGREES:

Article 1: Article 3 of Agreement 2-2003 of March 12, 2003 shall read as follows:

"Article 3. DEFINITIONS: For the purposes of this Agreement, it shall be understood as

- 1. Microfinances System:** That which services micro and small businesses by granting credits and other financial services, and is comprised by institutions dedicating at least 75% of the loan portfolio to fostering, financing and promoting this sector.
- 2. Microbusiness:** Natural or juridical person constituting an economic unit generating a gross annual income or billing of up to **One Hundred and Fifty Thousand Balboas (B/.150,000.00)**.
- 3. Small Business:** Natural or juridical person constituting an economic unit generating a gross annual income or billing from **One Hundred and Fifty Thousand Balboas and One Cent (B/.150,000.01) up to Seven Hundred and Fifty Thousand Balboas (B/.750,000.00)**."

Article 2: Article 7 of Agreement 2-2003 of March 12, 2003 shall read as follows:

"Article 7: CLASSIFICATION OF LOAN ASSETS AND RESERVES. Microfinances Banks shall maintain a Credit Manual containing a well documented section on loan credit risk administration and control of loans, whereby the debtor's credit standing and the loan's impact are evaluated by specific and separate credit cycle phases: analysis, follow-up and recovery.

The loans classification shall consider criteria established in Article 7 of Agreement 6-2000 of June 28, 2000, establishing a minimum global reserve of one percent (1%) over the totality of the loan portfolio.

Specific provisions in the tables provided below shall be applied to the seventy five percent (75%) of the loan portfolio comprised of credits with personal guarantees not exceeding

one percent (1%) of the net capital, and to loans with real guarantees not exceeding three percent (3%) of the net capital.

Category	Delinquency	Provision
Normal	Up to 30 days	0%
Special Remark	From 31 to 60 days	From 2% to 14%
Subnormal	From 61 to 90 days	From 15% to 49%
Doubtful	From 91 to 360 days	From 50% to 99%
Unrecoverable	Over 360 days	100%

*All provisions pursuant to Agreement 6-2000, not contrary to this Agreement, shall be applied to Microfinances Banks as they pertain to corresponding analyses and provisions.

Provisions pursuant to Agreement 6-2000, and well as all current legal requirements, shall be applied in their totality to the twenty five percent (25%) remainder of the portfolio not framed within the seventy five percent (75%) of the loan portfolio to micro and small businesses comprised of personal guarantee credits not exceeding one percent (1%) of the net capital, and of loans with real guarantees not exceeding three percent (3%) of the net capital.”

Article 3: This agreement shall become effective upon its promulgation.

Given in the city of Panama, on the twenty ninth (29th) day of the month of September two thousand three (2003).

COMMUNICATE, PUBLISH AND ENFORCE:

THE ACTING PRESIDENT

THE ACTING SECRETARY

FELIX B. MADURO

JORGE W. ALTAMIRANO-DUQUE M.