

Republic of Panama
Superintendency of Banks

AGREEMENT No. 009-2006
(of November 22, 2006)

"Whereby Agreement No. 2 of February 21, 2000 and Agreement No. 5 of May 10, 2000 are rescinded in all their parts and new provisions are prescribed for the observance of the legal liquidity index"

THE BOARD OF DIRECTORS

using its legal authority, and

WHEREAS

Pursuant to Article 46 of Decree Law No. 9 of February 26, 1998, all general license banks must at all times keep a minimum balance of liquid assets equivalent to the total gross percentage of their deposits in Panama or abroad, which the Superintendency of Banks sets periodically;

Pursuant to Article 47 of Decree Law No. 9 of 1998, this Board of Directors must set the liquidity index to which the abovementioned Article 46 refers;

Pursuant to Numeral 10 of Article 48 of Decree Law No. 9 of 1998, the Superintendency is authorized to stipulate additional liquid assets authorized to set the liquidity index;

Pursuant to Article 50, Chapter VI, Title III of Decree Law No. 9 of 1998, violations to the provisions in this chapter will be sanctioned by the Superintendency with fines of up to fifty thousand Balboas (B/. 50,000.00), regardless of the measures that the Superintendency could take in each case;

The Board of Directors must set, in the administrative realm, the interpretation and scope of the legal provisions in banking matters; and

In work sessions of this Board of Directors with the Superintendent, the need and convenience of setting new conditions for the observance of the legal liquidity index became evident.

AGREES:

ARTICLE 1. LEGAL LIQUIDITY INDEX. As pertains to Article 46 of Decree Law No. 9 of February 26, 1998, the minimum legal liquidity index that general license banks and official banks must keep at all times is set at THIRTY PERCENT (30%).

Said index will be TWENTY PERCENT (20%) for general license banks that keep a local and/or foreign interbank deposit quarterly average greater than EIGHTY PERCENT (80%) of their total deposits.

PARAGRAPH: EXCLUDABLE DEPOSITS. Banks will exclude from the deposit calculations for the legal liquidity index requirement, the pledged deposit amount equivalent to the balance at the liquidity report date, of the securing debenture.

For the purposes of this Article, a pledged deposit should be understood as an on-sight deposit or a time deposit that constitutes a pledged security to pay obligations acquired in the name of the depositor or of third parties with the bank in which said deposit was made.

ARTICLE 2. ACCEPTABLE BANKS ABROAD. As pertains to Numeral 5 of Article 48 of Decree Law No. 9 of February 26, 1998, the banks abroad that have a long-term international rating of at least BBB-/Baa3 will be accepted, as well as those that have a short-term international rating of at least A-3/P-3, issued by a renowned risk rating agency, or other bank approved by the Superintendent.

ARTICLE 3. OBLIGATIONS ISSUED BY FOREIGN GOVERNMENTS. As pertains to Numeral 6 of Article 48 of Decree Law No. 9 of February 26, 1998, obligations from foreign governments are accepted if they meet the following conditions:

- a. They have a long-term risk rating of at least BBB-/Baa3 or a short-term rating of at least A-3/P-3, or their equivalents;
- b. They are payable in United States dollars or in any other freely convertible and transferable currency, in the Superintendency's judgment; and
- c. They are the object of periodic public estimates in an active buying market.

ARTICLE 4. OBLIGATIONS ISSUED BY INTERNATIONAL FINANCIAL ORGANIZATIONS. As pertains to Numeral 6 of Article 48 of Decree Law No. 9 of February 26, 1998, obligations issued by multilateral financial organizations whereof the Republic of Panama is a member are accepted as liquid assets.

ARTICLE 5. OBLIGATIONS ISSUED BY PRIVATE AND GOVERNMENT FOREIGN AGENCIES. As pertains to Numeral 7 of Article 48 of Decree Law No. 9 of February 26, 1998, securities guaranteed by housing mortgage loans are accepted as liquid assets, when issued by private and government foreign agencies with a long-term international rating of no less than AAA/Aaa, which would enable the investor to receive a pro-rated participation of all cash flows generated by a mortgage package. The securities must meet the following conditions:

- a. They have a long-term risk rating of at least BBB-/Baa3 or a short-term rating of at least A-3/P-3, or their equivalents;
- b. They are payable in United States dollars or in any other freely convertible and transferable currency, in the Superintendency's judgment; and
- c. They are the object of periodic public estimates in an active buying market.

ARTICLE 6. LIMIT FOR OBLIGATIONS DOWN PAYMENTS PAYABLE WITHIN ONE HUNDRED EIGHTY SIX (186) DAYS. As pertains to Numeral 9 of Article 48 of Decree Law No. 9 of February 26, 1998, no more than fifty percent (50%) of the liquid assets used for calculating the liquidity index may consist of obligations down payments (meaning loan obligations) payable within one hundred eighty six (186) calendar days after the liquidity report, which must be rated in the Normal category, pursuant to the loan rating Agreement.

The percentage to which the previous paragraph refers will be reviewed twice a year by the Board of Directors of the Superintendency of Banks during the months of July and January of each year. Variations to the stipulated percentage will be announced through a General Resolution of the Board of Directors.

ARTICLE 7. OTHER AUTHORIZED LIQUID ASSETS.

According to Numeral 10 of Article 48 of Decree Law No. 9 of February 26, 1998, the following will be deemed as liquid assets, as long as they are exempt of any burden or encumbrance and they are freely transferable:

1. Obligations of Panamanian Private Companies, at their market value, that comply with the following conditions:
 - a. They mature in not more than one hundred eighty six (186) days, counted from the liquidity report;
 - b. They are payable in United States dollars or in any other freely convertible and transferable currency, in the Superintendency's judgment; and
 - c. They are the object of periodic public estimates in an active buying market.

2. Obligations of foreign Private Companies, at their market value, that comply with the following conditions:
 - a. They have a long-term international risk rating in foreign currency of at least BB+/Ba1 or a short-term rating of at least B/NP, or their equivalents;
 - b. They are payable in United States dollars or in any other freely convertible and transferable currency, in the Superintendent's judgment; and
 - c. They are the object of periodic public estimates in an active buying market.
3. Obligations of Panamanian Private Companies, payable in Panama when requested or in a term, guaranteed by banks established abroad with investment grade category, as long as the issuing companies and the guarantor bank are not part of the same Economic Group.
4. Obligations issued by the Government of the Republic of Panama, at their market value, that comply with the following conditions:
 - a. They are payable in United States dollars or in any other freely convertible and transferable currency, in the Superintendent's judgment; and
 - b. They are the object of periodic public estimates in an active buying market.
5. Obligations of Panamanian Public entities whose long-term risk rating is no less than the Republic of Panama's risk rating, or their equivalents and expressed in United States dollars or in any other freely convertible and transferable currency, in the Superintendent's judgment. These obligations must be considered at their market value, and must be the object of periodic public estimates in an active buying market.

PARAGRAPH: PERCENTAGE OF OTHER LIQUID ASSETS AUTHORIZED IN THE LEGAL LIQUIDITY INDEX. Up to fifty percent (50%) of the minimum legal liquidity index can consist of the assets described in this Article.

ARTICLE 8. BANKING OBLIGATIONS PAYABLE IN PANAMA. As pertains to Numeral 3 of Article 48 of Decree Law No. 9 of February 26, 1998 and Numeral 3 of Article 7 of this Agreement, a bank obligation is deemed to be payable in Panama if it is subject to the Panamanian Law, regardless of the place where the payment is made effective.

ARTICLE 9. MARKET VALUE. The posting of the obligations to which Article 48 of Decree Law No. 9 of February 26, 1998 refers, must be done in the weekly liquidity report stipulated by this Superintendent at market value, using the market value of the last work day of the week being reported.

ARTICLE 10. PERCENTAGE OF LIQUID ASSETS IN CASH. In the cases he deems it convenient, the Superintendent can specify to a particular bank a percentage of the minimum legal liquidity index which must consist of cash, kept under the bank's control, in United States dollars or in any other freely convertible and transferable currency, in the Superintendent's judgment.

ARTICLE 11. DEPOSITS AND OTHER PLACEMENTS IN BANKS OF THE SAME ECONOMIC GROUP OR THE SAME MARKETPLACE. In the cases he deems it convenient, the Superintendent may specify to a particular bank a maximum percentage of the deposits and other placements that it can keep in banks of its own Economic Group and/or in banks of the same marketplace.

ARTICLE 12. COMPUTABLE DEPOSITS. For the purposes of the minimum legal liquidity index requirement, the following deposits will be calculated, excluding those received from the parent bank, affiliates, subsidiaries or branches:

1. On-sight deposits; and

2. Time deposits that mature in not more than one hundred eighty six (186) days, counted from the liquidity report.

PARAGRAPH: AFFILIATE NOTION. Regardless of the consideration as parent bank or subsidiary made by a bank of an establishment, for the purposes of this Article, an "affiliate" is understood as any of the following legal persons related to the banking business:

1. Company of which the bank individually owns at least FIFTY ONE PERCENT (51%) of the circulating stocks; or
2. Company that individually owns at least FIFTY ONE PERCENT (51%) of the bank's stocks; or
3. Company of which the bank individually has the participation or the votes needed in that company to choose, on its own, most of that company's directors, or to appoint the Legal Representative or General Proxy or the highest level Executive of that corporation, or to veto contrary decisions in these matters; or
4. Company that individually has the participation or the votes needed in the bank to choose, on its own, most of the bank's directors, or to appoint the Legal Representative or General Proxy or its highest level Executive, or to veto contrary decisions in these matters.

ARTICLE 13. CALCULATION FREQUENCY OF THE LEGAL LIQUIDITY INDEX.
The legal liquidity index will be calculated at the end of each week.

ARTICLE 14. INFORMATION FOR THE SUPERINTENDENCY. The Superintendent will stipulate the form and deadline for submitting the Legal Liquidity Report.

ARTICLE 15. FINES. The infringements of the provisions on liquidity stipulated in Decree Law No. 9 of February 26, 1998 and in this Agreement, the delay in submitting reports and the incorrect submittal thereof, will be sanctioned with fines of up to Fifty Thousand Balboas (B/. 50,000.00), regardless of the other measures that the Superintendency may take in each case.

ARTICLE 16. INTERNATIONAL RISK RATING. For the purposes of international risk ratings of the foreign currency instruments to which this Article refers, those described in Annex 1 will be used, following as reference the nomenclature of the agencies *Standard & Poors*, *Moody's* and *Fitch*.

ARTICLE 17. RELATION BETWEEN ASSETS AND LOCAL DEPOSITS. As pertains to Article 51 of Decree Law No. 9 of February 26, 1998, only the General License Banks will keep assets in Panama equivalent to eighty five percent (85%) of their local deposits.

ARTICLE 18. LIQUIDITY RISK ASSESSMENT MANUAL. All banks must have a Manual with the policies and procedures approved by the Board of Directors to identify, measure, monitor, control and limit Liquidity Risk, as well as to constantly measure and monitor the net funds required, which must at least contain the following:

1. Analysis of the structure of asset and liability maturity.
2. Daily reports on the bank's internal liquidity index.
3. Customer deposit maturity profile.
4. Customer deposit volatility analysis.
5. Stress Test.
6. Policies and contingency plans.
7. Analysis on the impact of other risks (credit, market and operating risks) in the bank's liquidity strategy.
8. Analysis of the fund source diversification.
9. Periodic revisions of concentration limits and underlying bases.

The Board of Directors and the General Management of the bank must make sure that the policies and procedures set in the Liquidity Risk Management Manual are implemented effectively.

Within its supervision function, the Superintendency will make the observations it deems pertinent to the Manuals being applied by the banks of the marketplace.

ARTICLE 19. This Agreement completely rescinds Agreement No. 2 of February 21, 2000 and Agreement No. 5 of May 10, 2000.

ARTICLE 20. EFFECT. This Agreement will go into effect starting June 1st, 2007.

Given in the City of Panama, on the twenty second (22nd) day of the month of November, two thousand six (2006).

TO BE PUBLISHED AND FULFILLED.

THE PRESIDENT, temporary

THE SECRETARY, temporary

Arturo Gerbaud De La Guardia

Felix B. Maduro

The above is a translation of the original document delivered to me in Spanish.

Iris Saied Torrijos
Authorized Public Translator
Resolution TP-125 of Sept. 20, 1999
Ministry of Education

ANNEX 1

LONG-TERM INVESTMENT GRADE CATEGORIES

MOODY'S	Aaa	Aa1	Aa2	Aa3	A1	A2	A3	Baa1	Baa2	Baa3
STANDARD & POORS	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-
FITCH	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-

LONG-TERM NON-INVESTMENT GRADE CATEGORIES

MOODY'S	Ba1	Ba2	Ba3	B1	B2	B3	Caa1	Caa2	Caa3	Ca	C	
STANDARD & POORS	BB+	BB	BB-	B+	B	B-	CCC+	CCC	CCC-	CC	C	D
FITCH	BB+	BB	BB-	B+	B	B-	CCC+	CCC	CCC-	CC	C	D

ANNEX 2

SHORT-TERM INVESTMENT GRADE CATEGORIES

MOODY'S	P-1	P-2	P-3
STANDARD & POORS	A-1+ A-1	A-2	A-3
FITCH	F-1+ F-1	F-2	F-3

SHORT-TERM NON-INVESTMENT GRADE CATEGORIES

MOODY'S	NP		
STANDARD & POORS	B B-1, B-2, B-3	C	D
FITCH	B	C	D