

REPUBLIC OF PANAMA
SUPERINTENDENCY OF BANKS

AGREEMENT No. 003-2009

(May 12th, 2009)

“By means of which the provisions on Transfer of Acquired Real Estate are updated”

THE BOARD OF DIRECTORS

Acting on its legal capacity, and

WHEREAS:

That due to the issuance of Decree Law 2 of February 22nd of 2008, the Executive Branch elaborated a systematic order in the way of a sole text of the Decree Law 9 of 1998 and all its amendments, which was approved by means of Executive Decree 52 of April 30 of 2008, hereinafter the Banking Law;

That in accordance with the power of technical character established in Article 11, it corresponds to the Board of Directors to determine in the administrative sphere the interpretation and scope of the legal and regulatory provisions in banking matter;

That in accordance with article 101 of the Banking Law, it is prohibited to the banks to purchase, acquire or lease real property for themselves, except when the exceptions provided in said article are met;

That the above mentioned article 101 also provides, that notwithstanding he above the banks that have accepted real estate as guarantee of their credits are able, in case of default, to acquire said real property in order to sell them at their first opportunity within the terms provided by the Superintendency;

That in working session of this Board of Directors, the need and convenience of updating the guidelines and criteria established with reference to the terms of disposition of Real Property has been considered.

AGREES:

ARTICLE 1: SCOPE OF APPLICATION: The provisions of the present agreement shall be applied to the Official Banks, the Banks of General License and to the Banks of International License over which the Superintendency is the supervisor of origin.

The Banks of International License over which the Superintendency exercises the supervision of destiny are subject to the laws and regulations applicable in the jurisdiction of its supervisor of origin. Furthermore, those banks are obliged to comply with the duty of notification established on article 13 of the present agreement.

This agreement also applies to the owners of banking shares for the sole purpose of what is provided in article 8 of the present agreement, who shall have the obligation of effecting said report to this Superintendency through the bank.

ARTICLE 2: SALE POLICY. The Board of Directors of all banks shall issue a policy to sell the real property acquired as payment of the unpaid credits, under any modality. Said policy shall always be at the disposition of this Superintendency.

ARTICLE 3: TERM OF NOTIFICATION OF ACQUISITION. All banks shall notify the Superintendency through the System of Transfer of Information (Atom AT04 and BAN07), of the acquisition of real property as payment of unpaid credits, under any modality, within the thirty (30) following the date of the registration of the definitive acquisition at the Public Registry.

ARTICLE 4: ACKNOWLEDGEMENT OF THE ACQUISITION: Once the acquisition of the real property in favor of the bank has been registered in the Public Registry, the latter shall acknowledge the transaction in the following way:

1. As value in books of the acquired asset, the amount of the value of rapid sale according to the assessment, net of the estimated costs of the sale of the asset, or the balance of the cancelled credit, the lesser of any of the two.
2. As a charge against current results any unpaid balance of the credit in accordance with what is provided by the International Standards of Financial Information (NIIF).

ARTICLE 5: TERM OF TRANSFER OF REAL PROPERTY: The term referred to in article 101 of the Banking Law in order to transfer real property acquired in payment of unpaid credits is set in five (5) years, from the date of the registration at the Public Registry. If once said term has elapsed the bank has not sold the real property acquired, it shall effect an independent assessment of the same in order to establish if it has diminished on its value, applying in said case what is provided in the NIIF.

If once elapsed the term mentioned in the preceding paragraph, the bank has not sold the asset acquired, it will be sanctioned with an annual fine of up to ten per cent (10%) of the value of acquisition of the real property. The Superintendency might consider exception requests for those assets that due to irresistible force or act of nature in a special or particular situation not allowing to sell them within the term provided in this article. Nevertheless, the exception granted shall not necessarily exempt the Bank from the sanction applicable in accordance with this article.

ARTICLE 6: CONSTITUTION OF PATRIMONIAL RESERVE: The bank shall create a reserve in the patrimony account, by means of the appropriation in the following order: a) its retained earnings; b) utilities of the period, to which the following charges of the value of the acquired asset shall be applied:

YEARS	MINIMUM COMPUTABLE PERCENTAGE
First Year	10%
Second Year	20%
Third Year	35%
Fourth Year	15%
Fifth Year	10%

The above reserves shall be maintained until the effective transfer of the acquired asset is effected.

Said reserve shall not be considered as regulatory reserve for purposes of the computation of the patrimonial index.

PARAGRAPH: Are excepted from the patrimonial reserve established in the present article those houses of social interest repossessed with a value within the first section of what is provided in Law No. 29 of June 2 of 2008, which modifies the Law No. 3 of 1985 on Preferential Interests. Nevertheless, the bank shall keep the reserves established in the International Provisions of Financial Information (NIIF) and the Accounting Principles Generally Accepted by the United States of America (USGAAP).

For the purposes of this paragraph it is understood as value the price of acquisition of the financed house.

The Superintendency of Banks might request the reserves it deems convenient for these purposes.

ARTICLE 7: SUBSIDIARIES: When the acquisition of the asset is made by a subsidiary, the bank shall give equal treatment to what is provided by articles 2, 3, 4, 5 and 6 of the present agreement, until the transfer is effective, being understood as effective transfer such effected to third parties non subsidiaries or affiliates of the bank.

ARTICLE 8: AFFILIATES. When the acquisition of the asset is made by an affiliate, the bank shall give the notice referred by article 3, and the owner of the banking shares shall comply to what is provided on articles 2, 4, 5 and 6 of the present agreement until the effective transfer of the asset, being understood as effective transfer such effected to third parties non subsidiaries or affiliates of the bank.

ARTICLE 9: LEASE OF AWARDED ASSETS: In attention to the economic interests of the bank, and the maintenance and protection of the assets, the Superintendency, upon previous and duly founded request, might authorize the lease of real estate acquired in payment for unpaid credits to employees of the banking entity or third parties.

ARTICLE 10: SANCTIONS: In case of non compliance with the provisions established in the present agreement, the sanctions provided in Title Vi of the Banking Law shall apply.

ARTICLE 11: DEROGATION: The present Agreement leaves without effect the Agreements No. 1-2000 of February 16 of 2000, NO. 8-2002 of October 2 of 2002, No.4-2005 of January 31st of 2005, No. 3-2006 of May 12 of 2006.

ARTICLE 12: EFFECT: The present Agreement shall enter into effect ninety (90) days from its promulgation.

Given in the city of Panama, on the twelve (12) day of May two thousand nine (2009).

THE CHAIRMAN

THE SECRETARY

Félix B. Maduro

Jorge W. Altamirano-Duque