



## COMMUNIQUÉ

### Reorganization of Balboa Bank & Trust, Corp. in its final phase

The Superintendency of Banks of Panama (SBP) wishes to inform the general public that the reorganization of Balboa Bank & Trust, Corp. and its subsidiaries is in its final phase. After a hard and broad process, and based on the two binding proposals that were evaluated, the SBP deems it advisable to accept the proposal submitted by Grupo Bancario BCT, a Costa Rican-based company that has held a general license to conduct operations in our jurisdiction since 1994. This banking group meets the requirements that would permit the sale of 100% of the shares of Balboa Bank & Trust, Corp.

In May 2016, the SBP seized administrative and operating control of Balboa Bank & Trust, Corp. due to the fact that the bank, its subsidiaries and its holding company were included on the United States Department of the Treasury's Office of Foreign Assets Control's (OFAC) Specially Designated Nationals and Blocked Persons List. The direct consequence of this action was that the bank was unable to access its liquid assets to pay its obligations to depositors, which affected its liquidity ratios and resulted in the loss of its international correspondent banking services for payment operations, among others.

Once the seizure of administrative and operating control phase was completed, the SBP chose, from two potential choices (i.e. reorganization or compulsory liquidation), to go through the bank's reorganization phase to permit a potential bank operator to take over control of the bank in order to protect the best interests of the depositors. At that time, the SBP considered that the compulsory liquidation choice would have implied a bigger loss of value to the bank's depositors.

The process was conducted by inviting all banks in our banking system. However, only thirteen (13) banks were interested. Of these, only one bank submitted a binding offer to buy all of the shares of Balboa Bank & Trust, Corp.

Subsequently, a group of depositors considered it viable to organize themselves with another foreign capital, international license bank and a group of local investors to submit a new alternative. The SBP extended the reorganization process to give the new group the opportunity to formalize its proposal and of gather the data that would have permitted assessment of which alternative was the most favorable choice for the bank's depositors.

Both bidders had full access to the bank's books and their offers show the value they have assigned to the bank's assets and liabilities. Both reached to the following common requirements: (i) converting a part of depositors' assets to capital instruments; (ii) reducing a part of the deposits belonging to a group of depositors; (iii) purchasing 100% of the bank

shares, including the acquisition of the brokerage house (which is a subsidiary of the bank).

Therefore, choosing Grupo Bancario BCT relied on the analysis of the strengths showed in its offer, which make it more viable in the short- and long- terms and the continuous operations of the Bank as a business in place. In that sense, we considered the network of international correspondent banking and the access to sources of funding for liquidity contingency, among other factors, that are sufficiently sound to take over the bank's operations, without apparent material risks for depositors.

It is worth noting that Grupo Bancario BCT has consolidated assets over US\$1.34 billion, equity surpassing US\$160 million and more than 23 years of experience in the Panamanian banking market, where it has developed a diversified business line in the commercial, agricultural and retailing banking sectors. Also, the bank is supervised on a consolidated level by the Costa Rican Superintendencia General de Entidades Financieras (SUGEF). That supervisory entity informed the SBP that [Grupo Bancario BCT] is a well-managed group, with healthy banking practices and conservative policies, and that their shareholders have the appropriate background and expertise and are committed to their banking business and reputation.

Completion of the final phase of the reorganization requires, among other actions, the consent of the depositors that must agree to a reduction in the amount of their deposits; the relevant regulatory approvals from Panama and Costa Rica; the corporate approval of Corporación BCT shareholders; and the phases that will ensure the changes in the controlling shareholders of the bank and trust fund structures that will permit the removal of Balboa Bank and Trust, Corp. from the United States Department of the Treasury's Specially Designated Nationals and Blocked Persons List. Following the sale, the SBP and Grupo Bancario BCT must put in place an orderly process for resuming the operations of Balboa Bank & Trust, Corp., to gradually give the bank's customer access to their deposits as well as to develop normal financing and credit operations.

The SBP appreciates the patience and understanding of Balboa Bank & Trust, Corp.'s depositors due to the complex and unprecedented process and reiterates that the SBP will do its utmost to close the transaction in an orderly and safe manner for all bank's depositors.

Panama, June 19, 2017.