

TRANSLATION

Republic of Panama Superintendency of Banks

RESOLUTION SBP-0093-2015
(dated 5 June 2015)

THE SUPERINTENDENT OF BANKS
In use of his legal powers, and

CONSIDERING:

That **BANCO UNIVERSAL, S.A.** is a corporation established and existing according to the laws of the Republic of Panama by means of Public Deed 589 dated 1 August 1994 of the Second Notary of the Circuit of Chiriquí, filed under Microjacket 590543, Roll 43118, Image 0106 in the Microfilm (Mercantile) Section of the Public Registry and updated to Folio 290546 (S) by the Public Registry;

That **BANCO UNIVERSAL, S.A.** is the holder of a General Banking License granted by means of Resolution 24-94 dated 31 August 1994 issued by the National Banking Commission, today known as the Superintendency of Banks of Panama, authorizing the bank to engage in the Banking Business anywhere in the Republic of Panama and to execute transactions to be concluded, consummated or have effect both in Panama and abroad;

That the most recent Comprehensive Examination Reports noted serious weaknesses in financial viability and corporate management in the risk assessment of **BANCO UNIVERSAL, S.A.** conducted by the Superintendency of Banks;

That the main issues considered and transmitted to **BANCO UNIVERSAL, S.A.** referred to (i) infringement of the law on legal concentration limits of related parties; (ii) weak financial viability; (iii) weak risk management; (iv) inadequate internal controls; (v) inconsistent Board of Directors' management of the risks faced by the Bank;

That based on the above and by means of letter SBP-SB-N-6718-2014 dated 16 December 2014, the Superintendency of Banks proceeded to require **BANCO UNIVERSAL, S.A.** to take the actions summarized below in general terms:

1. Increase capital to restore the level of capital adequacy that existed before the financial adjustments the Bank needed to make to cover the unrealized losses in its investment portfolio.
2. Create loan portfolio provisions and pass them to the results statement, revaluing these portfolios according to the provisions of Rule 4-2013.
3. Reduce the related party concentration exceeding the legal limit by settling obligations or securing them with time deposits in the Bank.
4. Prohibit the Bank's conducting new operations with related parties without the prior written "no objection" from the Superintendency of Banks.
5. Prohibit the Bank's granting loans secured with deposits (back to back) to related parties.
6. Prohibit the Bank's paying bonuses, extraordinary remuneration, commissions or other types of benefits to the members of the Board of Directors, as well as dividends in cash or in kind to the shareholders of the bank.
7. Submit a daily report of income, expenses, deposit renewals and interests rates that are being paid, and a weekly report on the number and amount of loans secured with deposits (back to back) granted to unrelated parties.

That according to a "Special Situation Report" through 1 June 2015, despite the Superintendency's requirements, **BANCO UNIVERSAL, S.A.** granted at least four (4)

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loans secured by time deposits to settle promissory notes delinquent since 11 March 2015, in the amount of approximately USD\$2.8 million;

That these loans were disbursed with secured time deposits belonging to a related party, a member of the Board of Directors of **BANCO UNIVERSAL, S.A.**;

That when the Superintendency requested an explanation on these issues, **BANCO UNIVERSAL, S.A.** limited its response to indicating that these loans were disbursed on 30 May 2015 but had been approved by the Bank in November 2014, before the above restrictions had been imposed. However, this information was not reported to the Superintendency at that time. Furthermore, this information is not reflected in the information submitted to the Superintendency in the collateral and loans atoms;

That at 10:45 a.m. on 28 May 2015, **BANCO UNIVERSAL, S.A.** received Memo N° 7703 from the Office of the Third Anticorruption Prosecutor, requiring the Temporary Sequester of a series of bank accounts registered in the Bank;

That among the accounts ordered to be sequestered was the account identified by number 2004010100006999, held by a party related to the Bank;

That nevertheless, the sequester order provided by the Prosecutorial Entity was apparently only partially fulfilled by **BANCO UNIVERSAL, S.A.** According to an investigation performed, the bank permitted three (3) transactions to be conducted on 28 May 2015, after it had received the sequester order:

- At 12:15 p.m., the amount of US\$318,927.57 was transferred from the above account (2004010100006999) to account 2004010100003574, held by a party related to the Bank and also a member of the Board of Directors.
- At 12:22 p.m., the amount of US\$2,000.00 was debited from account 2004010100006999 to issue a cashier's check to a third party.
- At 2:38 p.m., a check in the amount of US\$2,640.00 was drawn against account 2004010100006999 to be paid to a third party.

That in summary, despite receiving an order from the Office of the Anticorruption Prosecutor, **BANCO UNIVERSAL, S.A.** permitted the withdrawal of US\$323,567.57 from the above account, achieving the sequester of only US\$4,062.42.

That this action indicates an overall inadequate operational risk management including obviously dangerous management of legal risk affecting the very foundations of **BANCO UNIVERSAL, S.A.**;

That it is also of note that **BANCO UNIVERSAL, S.A.** decided not to comply with all of the provisions ordered by the Office of the Third Anticorruption Prosecutor, alleging that several accounts were not sequestered because, according to the Bank, they did not belong to the person indicated by the Prosecutor and the Bank was waiting for a clarification from the Prosecutorial Entity;

That although the Bank considered that, in its opinion, the instruction given by the Office of the Third Anticorruption Prosecutor was not clear, since the facts of this case were widely known, **BANCO UNIVERSAL, S.A.**, while waiting for clarification, should not have permitted withdrawals from accounts that might have been under a sequestration order;

That during the Examination referred to above, it was also confirmed that among the accounts that were not sequestered by the Bank were two accounts with the following transactions:

- US\$1,000,000.00 was withdrawn on 1 June 2015 from Account 200506100005573, a time deposit due in 2019 and held by an agriculture-sector corporation, to pay the secured loan of another company.

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- US\$1,000,000.00 was withdrawn on 1 June 2015 from Account 2005061000055615, a time deposit due in 2019 and held by the same agriculture-sector corporation, to settle the loan of a third company.

According to the Public Registry of Panama, the Chairman of the agriculture-sector company is, according to Rule 6-2009, a related party and member of the Board of Directors of the Bank. We note that in letter SBP-SB-N-6718-2014 dated 16 December 2014 above, **BANCO UNIVERSAL, S.A.** was expressly prohibited from granting loans secured with time deposits to related parties, reminding the bank that domestic time deposits could not be withdrawn or decreased before their expiration, as provided for in Rule 9-2009;

That according to the "Special Situation Report" on **BANCO UNIVERSAL, S.A.**, the Bank chose not to sequester other accounts on the Public Ministry list, some of which belonged to corporations with directors that were parties related to the Bank. Between 28 May and 1 June 2015, the Bank permitted transactions such as debit notes, drafted checks and transfers of over US\$10 million on these accounts;

That in addition to the above, **BANCO UNIVERSAL, S.A.** has been involved in a series of operations currently under investigation by the criminal authorities and administrative proceedings by the Superintendency, especially because of breaches of due diligence on customers and customer resources. Consequently, the Bank's image and its reputation have been evidently affected;

That despite the efforts made during the past five months, the signs of financial deterioration and stress remain. In addition, as explained above, **BANCO UNIVERSAL, S.A.**'s operations are significantly affected, suggesting that the bank cannot continue operations without jeopardizing the interests of its depositors;

That as set forth in Article 131 of Decree Law 9 of 1998, amended by Decree Law 2 of 2008 and re-edited as a consolidated text adopted by Executive Decree 52 of 2008, hereinafter referred to as the Banking Law, the Superintendency may assume Administrative and Operating Control of a Bank, including the seizure of its assets and takeover of its management, on the grounds established in Article 132, to better protect its depositors and creditors;

That among the grounds specifically listed in Article 132 of the Banking Law for the Seizure of Administrative and Operating Control of a Bank are:

- " ...
...
2. If the Bank cannot continue operations without endangering the interests of the depositors.
..."

That in the Superintendency's judgment and in view of the above, it is necessary to proceed with the immediate Seizure of Administrative and Operating Control of **BANCO UNIVERSAL, S.A.** as provided for in subparagraph 2 of Article 132 of the Banking Law, in order to protect the interests of its depositors;

That pursuant to subparagraph 4 of paragraph I of Article 16 of the Banking Law, the Superintendent of Banks has the authority to order the Seizure of Administrative and Operating Control of Banks in those cases provided for in this Law and;

That in view of the above, the Superintendent of Banks,

RESOLVES:

FIRST: TO ORDER the SEIZURE OF ADMINISTRATIVE AND OPERATING CONTROL OF **BANCO UNIVERSAL, S.A.**, as provided for in subparagraph 2 of Article 132 of the Banking Law, for a period of up to thirty days, renewable.

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BANCO UNIVERSAL, S.A. is a corporation registered under Folio 290546 (S) in the Mercantile Section of the Public Registry and the holder of a General Banking License granted by means of Resolution 294-94 dated 31 August 1994 of the National Banking Commission, today known as Superintendency of Banks of Panama, which authorizes the bank to engage in the Banking Business anywhere in the Republic of Panama and to execute transactions to be concluded, consummated or have effect both in Panama and abroad.

SECOND: TO ORDER the suspension of all banking operations at **BANCO UNIVERSAL, S.A.**

THIRD: TO APPOINT Mr. Jaime De Gamboa Gamboa, holder of personal identification card N° E-8-95145, as Interim Administrator of **BANCO UNIVERSAL, S.A.**, to exercise exclusive legal representation of the bank on behalf of the Superintendency, with the powers and duties the Superintendency may determine, including from this time and without prejudice to others that may later be determined:

- a) To stop or limit payment on the bank's obligations during a period that will in no case exceed the period of seizure of control;
- b) To stop all payments of commissions, wages, *per diem* and other allowances to the executives of the company, except for the employees' basic wages and benefits, with prior authorization from the Superintendent of Banks.
- c) To conduct, on behalf of the Superintendent, and to permit, on behalf of the competent authorities that require it, the investigation of any cases that might have occurred at **BANCO UNIVERSAL, S.A.** that could have placed the Bank in this position.
- d) To send the Public Ministry all of the data representing potential criminal conduct, to be duly handled, classified and processed by the Investigating Agency.
- e) To inform the Financial Analysis Unit of any operations suspected of being involved in money laundering and the financing of terrorism or any other criminal activity.
- f) If necessary and with the prior approval of the Superintendent of Banks, to employ any additional personnel required and to dismiss those employees whose fraudulent or negligent actions have caused the seizure of control or that may interfere with or hinder full knowledge of the Bank's performance for the purposes of this measure.
- g) To manage the bank's correspondence.
- h) To make an inventory of the Bank's assets and liabilities and to submit a copy of this report to the Superintendency.
- i) To request the transfer and availability of funds held in any bank account and jurisdiction on behalf of **BANCO UNIVERSAL, S.A.**, to protect the interests of depositors and creditors.
- j) Any other powers that the Superintendency may authorize for a given purpose, based on the Interim Administrator's detailed request.

FOURTH: TO ORDER the posting of this Notice in a visible and public place of the Bank's main offices, providing a copy of this Resolution on the measure and indicating the day and time of the Seizure of Administrative and Operating Control.

FIFTH: TO ORDER the publication of this Resolution in a newspaper with broad national circulation for five (5) business days.

SIXTH: TO ORDER the Public Registry to make the relevant marginal notations of the Seizure of Administrative and Operating Control of **BANCO UNIVERSAL, S.A.**, filed under Folio 290546 (S) in the Mercantile Section of the Public Registry of Panama, and the

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appointment of Mr. Jaime De Gamboa Gamboa as the Bank's Legal Representative, acting as Interim Administrator of the Bank.

SEVENTH: This Resolution shall become effective at three o'clock (3:00 p.m.) on Friday, June 5, 2015.

As provided for in Article 135 of the Banking Law, this Resolution may be appealed to the Third Chamber of the Supreme Court of Justice, which has full jurisdiction over administrative litigation.

The filing of an appeal against this Resolution does not suspend the Seizure of Control or its effects, because the seizure protects a social interest.

LEGAL GROUNDS: Article 16, Paragraph I, Subparagraph 4; Article 131 and following articles of Decree Law 9 of 1998, as amended by Decree Law 2 of 1998, re-edited as a consolidated text and adopted by Executive Decree 52 of 2008 (Banking Law).

Given in the city of Panama on the fifth (5th) day of June, two thousand fifteen (2015).

FOR COMMUNICATION, PUBLICATION AND ENFORCEMENT,

THE SUPERINTENDENT OF BANKS,

Ricardo G. Fernandez D.

/jca