

TRANSLATION

Republic of Panama Superintendency of Banks

RESOLUTION SBP-0198-2016
(dated 27 October 2016)

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

WHEREAS:

BALBOA BANK & TRUST, CORP. is a corporation established and existing according to the Laws of the Republic of Panama, filed on Page 427208 (S) in the Mercantile Section of the Public Registry and the holder of a General Banking License granted by the Superintendency by means of Resolution SB 33-2005 dated 1 April 2005;

At the beginning of May 2016, the United States Department of the Treasury's Office of Foreign Assets Control (OFAC) included **BALBOA BANK & TRUST, CORP.**, some subsidiaries and its holding company in the Specially Designated Nationals and Blocked Persons List, the OFAC List, because of administrative investigations related to the alleged commission of the illegal activities of drug trafficking and money laundering;

The direct effects of this measure represented: (i) the prohibition of any financial or business relationship with the Bank by United States individuals and legal entities; and (ii) the freezing of assets located in the United States of America (USA), including interbank deposits and investments made by the Bank, significantly compromising **BALBOA BANK & TRUST, CORP.**'s liquidity and preventing the bank continuing with its operations without jeopardizing depositor interests;

As a consequence of the above, by means of Resolution SBP-0087-2016 dated 5 May 2016 and based on the provisions of Articles 131 and 132 of the Banking Law, the Superintendency of Banks ordered the seizure of Administrative and Operating Control of **BALBOA BANK & TRUST, CORP.** effective on 5 May 2016 as a legitimate means of safeguarding the interests of the Bank's depositors;

As described by the Interim Administrator in his report dated 2 June 2016, the main consequences of the measures taken by the United States' Department of the Treasury were: (i) the withholding of funds amounting to over 25 million US dollars in the United States of America (ii) the Bank's inability to gain access to more than 11 million US dollars in other jurisdictions in addition to securities subject to restrictions within the United States and other jurisdictions that could reach approximately 30 million US dollars; (iii) the prohibition of United States companies providing services, including bank corresponding services and others; (iv) irreversible damages to the Bank's reputation;

By means of Resolution SBP-0098-2016 dated 2 June 2016, the Superintendency ordered the extension of the Seizure of Administrative and Operating Control of **BALBOA BANK & TRUST, CORP.** for an additional period of thirty (30) days from the expiration of the term provided in Resolution SBP-0087-2016 dated 5 May 2016, permitting the assessment of the Bank's portfolio and financial condition in order to define a roadmap of the possible alternatives permitted by Law;

In his final report, the Interim Administrator concluded that the best solution for obtaining the greatest value possible for the depositors and creditors was the sale of **BALBOA BANK & TRUST, CORP.** He therefore recommended Reorganizing the bank and offering it for sale in this new phase, as long as the OFAC would commit to releasing the funds at a given moment within the Reorganization process;

In such a way, by means of Resolution SBP-0116-2016 dated 1 July 2016, the Superintendency of Banks of Panama ordered the Reorganization of **BALBOA BANK &**

TRANSLATION

TRUST, CORP. effective on 4 July 2016 for a period of 120 days. This period can be curtailed or extended;

Based on Article 146 of the Banking Law, on 26 July 2016 the Reorganizer of **BALBOA BANK & TRUST, CORP.** submitted the **Plan for Reorganizing** the Bank containing the timeline for its execution and the general guidelines necessary for the Bank to return to efficient, safe operation, if possible, while considering the interests of depositors and creditors. This plan was approved by the Superintendent of Banks by means of a note on that same date and later published in a newspaper with wide national circulation;

In a report dated 25 October 2016, the Reorganizer of **BALBOA BANK & TRUST, CORP.** stated that as of that date, the third of five phases of the Reorganization Plan was being concluded, with only the due diligence processes, among others, still pending;

Of the overall Plan, what remains to be accomplished is the assessment and negotiation of offers submitted by interested banks, followed by the formalization of the transaction and, thereby, the conclusion of the Reorganization;

While the Reorganization Plan was expected to have been concluded by the end of November 2016, in the above report, the Reorganizer requested the extension of the Reorganization for an additional period due to, among other issues, the efforts to get the shareholders of the Bank to consent to the sale of the shares;

In addition, this extension would facilitate meeting all of the requirements and achieving a transaction that would benefit the Bank's depositors;

In connection with the above, and pursuant to the provisions of Article 141 and following articles of the Banking Law, the Superintendent of Banks;

RESOLVES:

ONE: **TO ORDER** the extension of the **REORGANIZATION** of **BALBOA BANK & TRUST, CORP.**, a corporation filed on Page 427208 (S) in the Mercantile Section of the Public Registry, to be concluded within a period of one hundred and twenty (120) days. This period can be curtailed or extended by the Superintendency based on a justified request by the person responsible for the Reorganization, as provided for in Paragraph 3 of Article 142 of the Banking Law.

TWO: **TO ORDER** the posting of a Notice in a visible and public place in the Bank's main and branch offices, along with a copy of the present Resolution, for five (5) business days. At the same time, a copy of this Resolution will remain posted during the Reorganization period.

THREE: **TO RATIFY and EXTEND** all provisions of Resolution SBP-0116-2016 dated 1 July 2016 that do not contravene the present Resolution.

FOUR: **TO ORDER** the Public Registry to make the relevant marginal notations in the record of **BALBOA BANK & TRUST, CORP.**, a corporation filed on Folio 427208 (S) in the Mercantile Section of the Public Registry, to register the extension of the Reorganization that was originally ordered by means of Resolution SBP-0116-2016 dated 1 July 2016.

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

This Resolution shall become effective at two thirty (2:30 p.m.) on the first (1st) day of November, two thousand sixteen (2016).

This Resolution may be appealed to the Third Chamber of the Supreme Court of Justice, which has full jurisdiction over administrative litigation. An appeal will not suspend these administrative actions.

TRANSLATION

Page 3 of 3
Resolution SBP-0198-2016

LEGAL GROUNDS: Article 16, Paragraph I, Subparagraph 4; and Article 141 and following articles of the Banking Law (Decree Law 9 of 1998, amended by Decree Law 2 dated 22 February 2008, among other directives, re-edited as a Consolidated Text and adopted by Executive Decree 52 dated 30 April 2008).

Given in the city of Panama on the twenty-seventh (27th) day of October, two thousand sixteen (2016).

FOR COMMUNICATION, PUBLICATION, AND ENFORCEMENT,

THE SUPERINTENDENT OF BANKS,

(original signed)
Ricardo G. Fernandez D.