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Republic of Panama Superintendency of Banks

RESOLUTION SBP-0057-2017 (dated 7 April 2017)

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

WHEREAS:

FPB BANK, INC. is a corporation established and existing according to the Laws of the Republic of Panama and filed on 31 December 2004 on Page 471857 (S) in the Mercantile Section of the Public Registry. The bank, after holding an International Banking License granted by means of Resolution SB 028-2005 dated 28 March 2005, currently holds a General License granted by the Superintendency by means of Resolution SBP 151-2011 dated 27 October 2011;

By means of Resolution SBP-0022-2017 dated 10 February 2017 and based on the provisions of Articles 131 and 132 of the Banking Law, the Superintendency of Banks resolved to Seize Administrative and Operating Control of **FPB BANK, INC.** effective 10 February 2017;

This measure was taken as a proper means of safeguarding the interests of the Bank's depositors, due to the fact that the investigations being conducted in Brazil related to the "Lava Jato" Operation, which involves a Panamanian law firm, involves **FPB BANK, INC.** as the bank used to open bank accounts for customers abroad. This situation represents a legal and reputational risk, considering that most of the bank's business and risks are in Brazil;

In order to provide the Interim Administrator more time to conclude the comprehensive assessment of **FPB BANK, INC.** and by means of Resolution SBP-0036-2017 dated 8 March 2017, the Superintendency resolved to EXTEND the SEIZURE OF ADMINISTRATIVE AND OPERATING CONTROL of **FPB BANK, INC.** for an additional thirty (30) days effective at three thirty post meridiem (3:30 p.m.) on twelve (12) March 2017. The extension will expire at three thirty post meridiem (3:30 p.m.) on Tuesday, 11 April 2017;

Article 133 of the Banking Law provides that *"the term of the interim administration will not be longer than thirty (30) days except when due to exceptional circumstances... the Superintendent decides to extend it, in which case the extension shall not be longer than thirty days;"*

According to the cited provision, Article 140 provides *"upon expiration of the period of administrative control, the Superintendent will decide whether the bank should be reorganized, liquidated... or returned to the administrative and operating control of the directors or legal representatives of the bank, as may be the case;"*

According to the article extracts cited above, we must first conclude that it is not viable to return **FPB BANK, INC.** to the administrative control of its directors due to the fact that the issues that justified the initial Seizure of Administrative and Operating Control of the Bank have in no way been resolved;

Second, we shall refer to **FPB BANK, INC.'s** financial, operating and compliance conditions and determine whether it is feasible to continue with the Reorganization to permit the Bank to resume its daily operations;

From the Interim Administrator's assessment report dated 4 April 2017, as well as the Superintendency of Banks' own evaluation prior to the date of the seizure of control, we conclude that:

1. The loan portfolio reflects: (i) a high concentration in Brazil with few customers, a high level of exposure and a high number of nonperforming loans; (ii) deficient loan management entailing inadequate structures and classifications that create the need for significant additional provisions; and (iii) a domestic mortgage portfolio consisting mostly of very long term loans to foreign residents.

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2. The investment portfolio has: (i) a 72% concentration in Brazil, a country with an unfavorable economic situation; (ii) a risk rating below investment grade with certain exposures implying the need for substantial provisions; (iii) a significant percentage of the investment portfolio in Brickell Investments, a fund related to the Bank's owner, without exactly knowing its real value and without formal processes for review; and (iv) a lack of country exposure and portfolio management policies.
3. Fixed assets and other assets: (i) the bank owns the real property and improvements in which its offices are located; (ii) also included is a corporation, Fondo Paraty Capital II, a subsidiary of the bank and sole owner of JCLG Participacoes, S.A., a vehicle channeling investments in mortgages and real property in Brazil which, at the same time, owns Punta Pacifica Immoveis Ltd. The real value of the Fund is uncertain, which represents an additional risk factor due to its high book value and, because the investment is in Real — the currency of the Federative Republic of Brazil — there is also the exposure risk to that currency; (iii) to mitigate the exposure of Fondo Paraty Capital II and the Brickell Investment Fund to the Brazilian Real, the Bank placed a forward contract with a financial services entity; however, the NDF ends in April 2017 and will not be renewed by the financial entity; and (iv) there is no formal review process for investments and their valuation.
4. Deposits: (i) highly concentrated in a few depositors, and (ii) mostly demand deposits with high volatility risk.
5. Capital adequacy: considering the regulatory reserves and provisions needed primarily for the loan and investment portfolio, an evaluation of the Bank's equity would indicate that it would not be complying with the minimum capital required for a bank.

Given the remarks made by the Bank's Interim Administrator in his report, which matches the determinations of the previous examinations conducted and reported by the Superintendency to the Bank, one can disregard the possibility of Reorganizing the Bank in order to return in to its former Directors or sell the shares to a new operator that would be in charge of the Bank's future;

In addition to the above, there is a situation in **FPB BANK, INC.** requiring a more detailed investigation and clarification. This pertains to a checking account opened in the Bank on behalf of a corporation owned by the Bank's owner. Investment products are managed from this account which authorizations and structures that need verification, which, at least for this product, put the effectiveness of corporate governance in question, without negating the possibility of the commission of administrative and other infractions that would be under the jurisdiction of other authorities. At the same time, these infractions could engender potential lawsuits from the injured parties;

Coupled with and because of the above, it became obvious in meetings between this Regulator and **FPB BANK, INC.** at the end of November 2016 that the Bank's long-term viability was unsustainable due to the exhaustion of its business model and the uncertainties of its main business market — not to mention the Bank's real financial and operating condition;

To that effect and recognizing, at that time, the Bank's difficulty in continuing business under the same strategies, **FPB BANK, INC.** proposed consideration of its options, including the Bank's sale, its merger with another bank or its voluntary liquidation;

In December of 2016, while **FPB BANK, INC.** attempted to formalize sale or merger options, the Superintendency of Banks imposed specific requirements ranging from suspending payment of dividends, stopping back-to-back loans to shareholders, directors and related parties and prohibiting new loans to related parties, to requiring the daily submittal of specific reports on the financial condition, treasury movements, legal liquidity, etc.;

On 8 February 2017, the Superintendency received a formal request for the Voluntary Liquidation of **FBP BANK, INC.** from its Resident Agents. This document was approved by the shareholders of **FBP BANK, INC.** and was based on Article 115 of the Banking Law and substantiated by the reasoning resulting from the facts previously presented;

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As we have stated previously, on the one hand, given the financial, operating and corporate governance condition of **FPB BANK, INC.**, it would be impractical for the Superintendency to try to reorganize the bank or attempt to achieve its reorganization by selling it to another bank, especially when adding the reputational risk that resulted in the seizure of control and its causes. On the other, it is definitely not viable to return the Bank's administration to its original owners, even for the purpose of a voluntary liquidation. Consequently, the only possible conclusion, given the above circumstances and background, is to require the Bank's Compulsory Liquidation;

The Secretary General was appointed Acting Superintendent by means of Resolution SBP-JD-0016-2017 dated 21 March 2017;

Pursuant to the above and subparagraph 4 of paragraph I of Article 16 of the Banking Law, the Superintendent of Banks has the authority to order the Compulsory Liquidation of Banks in those cases provided by law, therefore;

RESOLVES:

ONE: TO ORDER — based on the provisions of Article 154 and following articles of Chapter XVIII, **COMPULSORY LIQUIDATION**, of Title III of the Banking Law — the **ADMINISTRATIVE LIQUIDATION** of **FPB BANK, INC.**, a corporation established and existing according to the Laws of the Republic of Panama, filed on Page 471857 (S) in the Mercantile Section of the Public Registry and the holder of a General License granted by the Superintendency by means of Resolution SBP 151-2011 dated 27 October 2011.

TWO: TO APPOINT Engineer **MAURICIO RODRIGUEZ VARGAS**, an adult Panamanian male domiciled in the city of Panama and holding personal identification card number N-19-577, with over five (5) years of experience in the banking sector, to exercise exclusively the legal representation, administration and control of **FPB BANK, INC.**

THREE: TO ORDER that all bank operations of **FPB BANK, INC.** remain suspended.

FOUR: TO DECLARE — as provided for in Article 159 of the Banking Law — that because **FPB BANK, INC.** is under Compulsory Liquidation, the suspension of the statute of limitations related to all of the rights and legal actions to which the bank is a principal and the deadlines for all trials and proceedings to which the bank is a party, unless the purpose of the proceeding is to foreclose on a pledge, mortgage or other property right.

FIVE: TO ORDER the suspension of the accrual of interest on all obligations of **FPB BANK, INC.** under Compulsory Liquidation, with the exception of those secured by a pledge or mortgage on assets of the Bank, as provided for in Article 160 of the Banking Law.

SIX: TO PROVIDE that the Liquidator, Engineer Mauricio Rodriguez Vargas, herein appointed, will be functionally responsible to the Superintendent of Banks and will be accountable for his actions to the Board of Directors of the Superintendency through the Superintendent, as provided for in Article 155 of the Banking Law.

SEVEN: TO REQUIRE the appointed Liquidator, Engineer Mauricio Rodriguez Vargas, to maintain a record of his management in an orderly and easily verifiable manner and to guide the Compulsory Liquidation process keeping in mind celerity, diligence, simplicity and transparency in his transactions and respect for the rights and priorities recognized in the Banking Law.

EIGHT: TO ESTABLISH that the Liquidator will have the powers provided in Article 168 of the Banking Law and any other powers required for the liquidation process, among them:

1. To stop or limit payment of the bank's obligations and of the debts of the assets, subject to the availability of funding;
2. To employ the necessary personnel and dismiss those employees whose fraudulent or negligent behavior has created or abetted the conditions leading to the liquidation, as well as those employees that are no longer needed due to a reduction in the activities of the bank;

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3. To assign or sell assets according to their marketable value, net of provisions, reserves, and any other adjustment required by the Superintendency, according to the existing prudential norms and regulations;
4. To totally or partially transfer the assets and liabilities of the bank to an institution licensed to exercise the trust business in Panama, with the prior authorization of the Superintendency;
5. To execute those agreements and enter into those contracts within the scope of his responsibilities that would permit the initiation, fulfillment, and execution of the liquidation through the transfer of assets and liabilities and through the use of trust funds;
6. To establish in the trust contract, the requirements, terms and conditions for the proper liquidation of assets and liabilities transferred to the trust fund;
7. To submit to the Public Ministry all documents representing the potential commission of crimes, to be duly managed, classified and processed by that Instructional Agency;
8. To inform the Financial Analysis Unit of any operations suspected of involving money laundering, the financing of terrorism or the financing of the proliferation of weapons of mass destruction;
9. Any other power which may be authorized by the Superintendent for a specific purpose, based on a substantiated request from the Liquidator.

NINE: TO ORDER the appointed Liquidator to pay the total amount of deposits and other obligations described in paragraphs 1 and 2 of Article 167 of the same Law within fifteen days following the date in which this Resolution is executed, as provided for in Article 161 of the Banking Law.

TEN: TO REQUIRE depositors and other creditors of **FPB BANK, INC.**, a corporation filed on Page 471857 (S) in the Microfilm (Mercantile) Section of the Public Registry and the holder of a General License granted by the Superintendency by means of Resolution SBP 151-2011 dated 27 October 2011, under Compulsory Liquidation, to go to the bank to lodge claims at any time up until the Liquidator submits his Preliminary Report.

ELEVEN: TO EMPHASIZE that the Liquidator's Preliminary Report, referred to in Article 163 of the Banking Law and the above article herein, must be submitted in a period of no less than thirty (30) days nor more than sixty (60) days from the last publication of this Resolution, as referred to in Article 157 of the Banking Law and Article Thirteen herein.

TWELVE: TO ORDER the posting of a Notice in a visible and public place in the Bank's main and branch offices, providing a copy of this Resolution on the Compulsory Liquidation and indicating the time of the enactment of the Liquidation. This Notice shall remain posted for five (5) business days and must remain posted during the Liquidation. After having been posted in the main offices for five (5) business days, the Resolution will be considered notified.

THIRTEEN: TO ORDER the publication of this Resolution in a newspaper with broad national circulation for five (5) business days once the Notice referred to in the previous article has been posted.

FOURTEEN: TO ORDER the Public Registry to make the relevant marginal notation of the Compulsory Liquidation of **FPB BANK, INC.**, a corporation filed on Page 471857 (S) in the Microfilm (Mercantile) Section of the Public Registry of Panama, as well as of the appointment of Mr. Mauricio Rodriguez Vargas, holder of personal identification card number N-19-577, as Liquidator and Legal Representative of the Bank.

FIFTEEN: TO STATE that this Resolution shall become effective at three thirty post meridiem (3:30 p.m.) on eleven (11) April two thousand seventeen (2017).

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This Resolution may be appealed to the Third Chamber of the Supreme Court of Justice, which has full jurisdiction over administrative litigation, within fifteen days following the posting of the Notice referred to in the Banking Law and this Resolution. The filing of an appeal against the Resolution ordering the Compulsory Liquidation of **FPB BANK, INC.** does not suspend the Administrative Action because the liquidation protects a social interest.

LEGAL GROUNDS: Article 16, Paragraph I, Subparagraph 4; Article 154 and following articles of Chapter XVIII of Title III of the Banking Law.

Given in the city of Panama on the seventh (7th) day of April, two thousand seventeen (2017).

FOR COMMUNICATION, PUBLICATION, AND ENFORCEMENT,

THE ACTING SUPERINTENDENT OF BANKS,

Gustavo Adolfo Villa

/jca