

**Banco Privado Portugues
(Cayman) Limited (In Official
Liquidation) (“BPP Cayman” or
“the Company”)**

*Twelfth Report of the Joint
Official Liquidators*

10 March 2016

CAUSE NO. FSD: 166 OF 2010 (AJJ)

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1. Glossary of Terms and Abbreviations

Term	Definition
AR Strategy	Those Absolute Return investment strategies offered by BPP SA and BPP Cayman which included a guarantee of principal and, in many cases, return to customers
the Company or BPP Cayman	Banco Privado Portugues (Cayman) Limited (in Liquidation), a Cayman Islands registered company which formerly held a Class B Banking license issued by CIMA in 1997
Banif	Banif-Banco de Investimento, S.A.
the BoP	The Bank of Portugal
BPP Group	A Portuguese based private banking group ultimately owned by Privado Holding
BPP SA	Banco Privado Portugues, S.A., a Portuguese private bank which was placed into liquidation on 16 April 2010 and is the immediate parent of the Company.
CIMA	The Cayman Islands Monetary Authority
Client Monies	Proceeds from coupon payments, amortizations and maturities of certain custody assets received after the commencement of BPP Cayman's liquidation on 9 July 2010 and held on behalf of BPP Cayman's depositors
Close Brothers (Cayman) Limited	Provider of statutory agent and trustee services to the Company in the Cayman Islands
CMVM	The Portuguese securities market commission
the Controllers	David A K Walker and Ian D Stokoe, of PwC Corporate Finance & Recovery (Cayman) Limited ("PwC Cayman"), appointed Controllers of the Company on 27 May 2010 by CIMA
Counter-guarantee and Pledge	Purported guarantee and pledge provided by BPP SA and BPP Cayman to the Portuguese Republic on 5 December, 2008
Companies Law	The Cayman Islands Companies Law (2013 Revision)
the FEI	A special investment fund established on 31 March 2010 as an independent vehicle for the purpose of ring-fencing AR Strategy assets and liabilities from the BPP Group and enabling an orderly realization

Term	Definition
FEI Units	Equity units in the FEI allocated to former AR Strategy customers in accordance with their AR Strategy deposit claims
Republic Guarantee	Guarantee provided by the Portuguese Republic to a syndicate of six Portuguese banks on 5 December 2008, to support a €450m refinancing loan for the BPP Group
the JOLs	David A K Walker, Ian D Stokoe of PwC Corporate Finance & Recovery (Cayman) Limited (“PwC Cayman”) appointed Joint Official Liquidators of the Company on 9 July 2010. Mr. Simon Conway of PwC Cayman was subsequently appointed Joint Official Liquidator of the Company on 20 November 2014.
the Liquidation Commission	Commission nominated by the BoP and appointed by the Portuguese Commercial Court to oversee the liquidation of BPP SA, comprising Luis Máximo Dos Santos, António Silva Ferreira, and Manuel Martins Mendes Paulo
Overdraft receivables	Overdraft repayments totalling c.€100m due to BPP Cayman from special investment vehicles purportedly transferred to BPP SA and currently held in trust in the Portuguese Commercial Court of Lisbon
Privado Holding	Privado Holding, S.G.P.S., S.A., the Portuguese based ultimate holding company of the BPP Group
the SIVs	Special investment vehicles; corporate entities established by the BPP Group to act as offshore holding companies for customer investments

2. Basis of Preparation and Disclaimer

2.1. Basis of Preparation

This report has been prepared solely for the purpose of providing a report of the Joint Official Liquidators' ("JOLs") of Banco Privado Portugues (Cayman) Limited ("the Company" or "BPP Cayman") to the Grand Court of the Cayman Islands ("the Grand Court") and the creditors of the Company.

2.2. Disclaimer

This report is strictly confidential and must not be provided to or made available, by any means, to any person other than the intended recipients, the Grand Court and the Company's creditors. This report should not be copied or disclosed to any third party or otherwise be quoted or referred to, in whole or in part, without the prior written consent of the JOLs. In the event that this report is obtained by a third party or used for any purpose other than in accordance with its statutory purpose, any such party relying on the report does so entirely at their own risk and shall have no right of recourse against the JOLs, PricewaterhouseCoopers ("PwC"), PwC Corporate Finance & Recovery (Cayman) Limited ("PwC Cayman"), PricewaterhouseCoopers Portugal ("PwC Portugal"), their partners, directors, employees, professional advisors or agents. None of the JOLs, PwC, PwC Cayman, PwC Portugal, their partners, directors, employees, professional advisors or agents accept any liability or assume any duty of care to any third party (whether it is an assignee or successor of another third party or otherwise) in respect of this report and any such party who receives a copy of this report whether from PwC, or any other source shall have no right of recourse against PwC, its partners, directors, employees, professional advisors or agents.

In preparing this report the JOLs must stress that they have relied upon information provided to them by the Company, its directors, its service providers and its parent company Banco Privado Portugues SA ("BPP SA"). The JOLs note that they have only received relatively limited information relating to the material matters discussed in this Report and as such the position stated may be subject to material revision on receipt of further information. The JOLs have not performed an audit examination on this information. Except where specifically stated, the JOLs have been unable to establish the reliability of the sources of information presented to them by reference to independent evidence.

3. Introduction

3.1. Introduction

This report is the JOLs' twelfth report to the Grand Court and the creditors of the Company. This report should be read in conjunction with the JOLs' previous eleven reports to the Grand Court and to the Company's creditors (collectively, the "Previous Reports").

3.2. Purpose of the JOLs' Eleventh Report

This report of the JOLs has been prepared in order to provide a short update on the progress and conduct of the liquidation, as well as an application for the Grand Court to approve the fees of the JOLs for the period 1 September 2015 to 29 February 2016.

4. Conduct of the Liquidation since 1 September 2015

4.1. Summary of actions taken since 1 September 2015

Below is a summary of the main work-streams undertaken by the JOLs and their staff since 1 September 2015:

1. Preparation of the JOLs' fee application and presentation to the Grand Court on 13 October 2015;
2. Application to the Grand Court, on 13 October 2015, to release Mr. Ian Stokoe from the performance of any further duties as a JOL of the Company;
3. Application to the Grand Court, on 18 November 2015, to stay the Cayman Islands proceedings against certain of the defendants to 12 February 2016;
4. Annual meeting of creditors held on 16 December 2015 by teleconference, at which the JOLs eleventh report was presented and a general update on progress was provided;
5. Ongoing discussions, and meetings via video conference in December 2015 and in Lisbon, Portugal in January 2016, with representatives of BPP SA and the Portuguese Republic with respect to agreeing terms of a potential settlement agreement;
6. Agreeing non-binding Heads of Terms with representatives of BPP SA and the Portuguese Republic with respect to a potential settlement agreement;
7. Application to the Grand Court, on 12 February 2016, to stay the Cayman Islands proceedings against certain defendants to 13 May 2016;
8. Analysis of loan book and potential for recovery, and the effect of set-off on settlement options;
9. Preparation of a memorandum for presentation to the Company's liquidation committee setting out the non-binding Heads of Terms agreed with BPP SA and the Portuguese State, the JOLs analysis of the recoverability of the Company's loan book and the effect of set-off for the committee's consideration;
10. Agreeing settlement terms with noteholders for the wind up and allocation of segregated monies for three SIVs, and return of cash to noteholders totalling €1.7m;
11. Ongoing liaison with BPP SA over client debt repayments and administration of these loan collections into a trust account, with recoveries totalling €11.3m and US\$2.3m as at February 2016;
12. Ongoing dialogue and correspondence with BPP Cayman's creditors, providing general updates and responses to claim specific queries;
13. Review of four new custody claim submissions since September 2015 in order to resolve claims on the custody asset portfolio, and transfer of €121k of segregated liquidity to beneficiaries; and
14. Advising the Company's depositors of the implications of the newly enacted Foreign Account Tax Compliance Act ("FATCA") and Cayman Islands Tax Information Authority Law (2014) on the Company and requesting certification forms.

4.2. Financial Position

The Receipts and Payments account in Chart 1 below provides a summary of the JOLs' asset realisations and payments since the commencement of the Controllership on 27 May 2010.

Chart 1: Receipts and Payments 4 June 2010 to 29 February 2016

Euro Account		
	Note	Euro
Receipts		
Receipt of Segregated Monies		2,316,688
Realisation from investments		229,448
Cash available at the date of appointment		926,385
Voluntary contribution to JOLs for t/f of custody assets		207,895
Customer Settlement Proceeds		403,874
SIV Settlement Proceeds		3,611,832
Management Fees		142,027
		7,838,149
Payments		
Controllership fees - PwC Cayman		(87,717)
Controllership fees - PwC Portugal		(38,533)
Controllership fees – Legal fees Maples and Calder (Cayman Islands' legal counsel)		(8,227)
Cayman JOLs fees		(1,730,945)
PwC Portugal fees		(1,181,000)
Legal fees & disbursements - Maples and Calder		(455,422)
Legal fees & disbursements - Andrade De Matos (Portuguese legal counsel)		(520,489)
Legal fees & disbursements – Law Square		(14,182)
PwC Cayman disbursements		(43,902)
PwC Portugal disbursements		(32,877)
Directors Fees - SIVs		(17,276)
Reinstatement Fees - SIVs		(8,380)
Translation Fees		(23,372)
Statutory Advertising		(1,026)
Bank Charges		(5,158)
		(4,168,506)
Balance as at 29 February 2016		3,669,643

USD Account	
Receipt	US\$
Receipt of Segregated Monies	225,414
Realisation from investments	563,159
SIV Settlement Proceeds	194,149
Voluntary contribution to JOLs for t/f of custody assets	6,841
Funds held by Maples and Calder at date of appointment	54,124
Total Receipts	1,043,687
Payments	
Legal fees Maples and Calder	(737,330)
Cayman JOLs Fees	(262,080)
PwC Cayman Disbursements	(263)
Payment to service providers	(19,712)
Directors Fees - SIVs	(2,409)
Bank charges	(3,663)
Statutory advertising/Website	(4,213)
Total Payments	(1,029,670)
Balance as at 29 February 2016	14,017

5. Update on Progress of Liquidation

5.1. Settlement of Segregated Monies

The JOLs continue to seek settlement agreements on the same commercial terms sanctioned by the Grand Court 14 May 2013 order with the remaining SIVs. During the period 1 September 2015 to 29 February 2016 settlement terms for the wind up and allocation of segregated monies for three SIVs were agreed with noteholders, namely PICL III, STL USD and Deutsche Telekom Leveraged Debt.

In addition to the above, at the request of noteholders the JOLs have sought settlement agreements with three smaller SIVs, but have not yet received the requisite 75% noteholder approval to proceed with the winding up of the SIVs.

As at the date of this report, 27 SIVs remain to be wound up, 15 of which only have BPP SA noteholders.

5.2. Collection of the Company's Assets

5.2.1. Loan Book

During the period 1 September 2015 to 29 February 2016 the JOLs and BPP SA have dealt with four new custody asset cases and have agreed settlement terms with the noteholders of the three SIVs detailed above which resulted in the collection of debt repayments totalling circa €0.5m. To date debt repayments totalling circa €11.3m and US\$2.3m are currently being held in the trust account at BPP SA.

The JOLs have continued their review and investigations of the Company's asset base to determine asset recovery opportunities for the BPP Cayman liquidation estate and ultimately the return of assets to creditors.

5.2.2. Cayman Islands Legal Proceedings

As discussed in Previous Reports, the JOLs believe they have good arguable cases under Cayman Islands law in relation to the validity of the Pledge, and are seeking to have the Pledge deemed invalid from a Cayman Islands law perspective. By order of the Grand Court dated 20 November 2014, the JOLs were granted the power to issue a generally indorsed Writ of Summons, and to pursue claims set out in the Writ in order to safeguard the interests of BPP Cayman's liquidation estate.

While the JOLs feel they have strong legal merits to support their arguments being presented in the legal proceedings, the JOLs are of the view that reaching a settlement agreement with BPP SA and the Portuguese Republic, the main parties to the legal proceedings, is likely to give a better result for BPP Cayman's depositors given the number of years it would likely take to complete litigation in Cayman, pursue and enforce any rulings in Portugal, and the uncertainty of the results of those litigations.

As advised in the JOLs eleventh report, the JOLs began without prejudice discussions with BPP SA and the Portuguese Republic in June 2015 regarding a potential settlement agreement not only with respect to the Cayman Islands proceedings, but also with respect to the Portuguese proceedings.

Although the settlement discussions progressed reasonably well, the recent election in Portugal affected the settlement discussions with the Portuguese Republic while the new administration was being put in place, and a further stay the Cayman Islands proceedings to February 2016 was agreed to allow the parties more time to potentially reach agreement.

In December 2015, the JOLs attended a meeting via video conference with representatives of BPP SA and the Portuguese Republic, and again met in Lisbon, Portugal in January 2016 to resume without prejudice discussions with the aim of agreeing acceptable terms for a settlement agreement ahead of the expiration of the stay of the Cayman proceedings in February 2016. During those discussions terms were put forward the JOLs feel are acceptable and in the best interest of BPP Cayman's depositors. Following the meetings, the parties agreed a non-binding Heads of Terms for the proposed deal that will be put to the Company's liquidation committee for their consideration, and if thought fit, their approval.

The JOLs note that any potential settlement will not only be subject to the approval of the Company's liquidation committee, but will also require the sanction of the Grand Court. Accordingly, the JOLs shall be seeking the liquidation committee's approval of the key terms of the proposed settlement agreement at a meeting scheduled to be held on 18 March 2016. A memo setting out in detail the terms of the proposed agreement, and the JOLs analysis of the recoverability of the Company's loan book, the impact of set-off and estimated outcomes under various assumptions will be presented to the Company's committee members at the 18 March 2016 meeting for their consideration. Due to the sensitive and confidential information included in the memo, it is not being included in the publically available document.

To allow the JOLs sufficient time to seek the liquidation committee's views on the proposed settlement, a further stay of the Cayman Islands proceedings was agreed to May 2016. If the committee's approval and subsequent Court sanction is not received, the JOLs legal proceedings against the parties will resume.

5.3. Maturity of the FEI

On 4 December 2015 Banif, as Manager of the FEI, announced that at an annual participants meeting held on 30 September 2015 it was decided that the maturity date of the FEI would not be extended for an additional two years and the FEI's 30 March 2016 maturity date remains.

Upon maturity on 30 March 2016 the FEI will be dissolved and the FEI units will be redeemed on the 5th business day following the dissolution date. Redemption proceeds will be available to FEI participants shortly thereafter.

5.4. Foreign Account Tax Compliance Act

As discussed in Previous Reports, the Cayman Islands Government has entered into an Intergovernmental Agreement with the United States to implement the Foreign Account Tax Compliance Act ("FATCA") which came into effect on 1 January 2015. As a result, the Company is now required to undertake additional due diligence procedures to identify 'Reportable Accounts'¹ and report annually to the Cayman Islands Tax Authority ("TIA").

As a result of the implementation of FATCA and the TIA Law (2014), prior to making any payments to BPP Cayman depositors, the JOLs are required to undertake additional due diligence procedures. Depositors will be requested to complete and return certification forms to the JOLs, if not already done, to assist the JOLs in identifying accounts that may be classified as reportable.

Please note that the JOLs are prohibited from making any payments to BPP Cayman depositors without firstly receiving the completed certification forms. Please also note that where it is determined that depositors are not US persons the Company will not be required to complete any further due diligence checks, nor will they have any reporting obligations with respect to those depositors.

¹ A financial account held by one or more specified US persons or by a non-US entity with one or more controlling persons that are specified US persons.

5.5. Resignation of Ian Stokoe as Joint Official Liquidator

As advised in the JOLs eleventh report, Mr. Ian Stokoe retired from PwC with effect from 30 June 2015, and in anticipation of his retirement, Mr. Stokoe tendered his resignation as JOL of the Company with effect from 25 May 2015. The JOLs sought and received an Order from the Grand Court discharging Mr. Stokoe from any further duties as JOL of the Company dated 13 October 2015.

6. JOLs' Fees and Expenses

6.1. Fees and Expenses Incurred to Date

The time costs for the period from 1 September 2015 to 29 February 2016 incurred by the JOLs total US\$171,454 and €1,260 for PwC Cayman and PwC Portugal, respectively. PwC Cayman's and PwC Portugal's fees have been summarised in the tables below. A detailed schedule showing the time spent, the tasks completed and the prescribed hourly rates of the JOLs and their staff for the period 1 September 2015 to 29 February 2016 is attached at Appendix 1. This time period will be the subject of the JOLs' fee application being heard on 30 March 2016.

The JOLs note that a committee meeting has been convened for 18 March 2016, to update the committee on the JOLs' progress since the last meeting and to seek approval of the JOLs' fees for the period 1 September 2015 to 29 February 2016.

Chart 2: PwC Cayman JOLs' Fees: 1 September 2015 to 29 February 2016

Grade	Hours	Total(US\$)
Partner	120.00	90,000
Manager	155.00	72,850
Senior Accountant	25.70	8,481
Administrator	0.70	123
Total	301.40	171,454

Chart 3: PwC Portugal JOLs' Fees: 1 September 2015 to 28 February 2016

Grade	Hours	Total(Euro)
Partner	2.0	1,260
Total	2.0	1,260

PwC Cayman and PwC Portugal have incurred disbursements in the amount of USD\$7,471 and €5.13 during the period 1 September 2015 to 29 February 2016, a summary of which is below.

Chart 4: JOLs' Disbursements: 1 September 2015 to 29 February 2016

PwC Cayman	US\$
Travel Expenses	7,136
Notary/Apostille Costs	180
Courier	155
Total	7,471

PwC Portugal	€
Miscellaneous Expense	5.13
Total	5.13

7. Estimated Outcome of the Liquidation

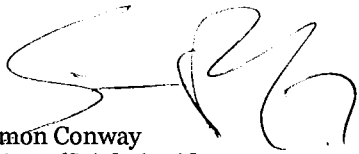
The JOLs do not consider it possible to provide any meaningful estimate of the outcome of the liquidation for creditors and investors at this time. This is based on the fact that any future recovery for depositors and other unsecured creditors is likely to be dependent on either the outcome of litigations in Portugal and the Cayman Islands, and in particular the Overdraft receivables litigation, or the pending approval of the proposed settlement agreement with the Portuguese Republic and BPP SA.

8. Next Steps

The JOLs will continue to focus on the key actions required to ensure the orderly wind up of the Company and protect the interests of creditors. In particular, the principal areas of focus will remain:

- Consulting with BPP Cayman's liquidation committee on the proposed settlement agreement with the Portuguese State and BPP SA, and seeking the sanction of the Grand Court;
- Recovery of the Company's loan book, collection of the Company's proprietary assets, adjudication of creditor claims, and return of assets to secured and unsecured creditors;
- In the event the settlement is not completed, continuance of the Cayman Islands and Portuguese legal proceedings;
- Returning custody assets to clients; and
- Pursuing the Segregated Monies in relation to SIVs and then proceeding to unwind the SIVs themselves and return Client Monies and assets to noteholders.

Signed on behalf of the Joint Official Liquidators of
Banco Privado Portugues (Cayman) Limited



Simon Conway
Joint Official Liquidator
Banco Privado Portugues (Cayman) Limited

Appendix 2- Summary of Liquidators' Fees for the period 1 September 2015 to 29 February 2016

Category	Partner		Manager		Senior Accountant		Administrator		Total Hours	Total US\$
	Hours	Rate Amount US\$	Hours	Rate Amount US\$	Hours	Rate Amount US\$	Hours	Rate Amount US\$		
1 Appointment of JOLs, job acceptance, administration and billing	-	750	4.30	470	11.60	330	0.50	175	16.40	5,937
2 Statutory requirements - Inc statutory filings and website	1.60	1,200	1.20	470	-	330	0.20	175	3.00	1,799
3 Statutory requirements - Inc creditors meeting, review of claims, minutes and preparing reports	5.10	3,825	28.70	470	-	330	-	175	33.80	17,314
4 Strategy, asset realisation & Legal analysis & support	84.90	63,675	9.90	470	-	330	-	175	94.80	68,328
5 Communication - creditors and investors	3.50	2,625	55.50	470	-	330	-	175	59.00	28,710
6 Communication - BPP SA	0.30	225	0.80	470	-	330	-	175	1.10	601
7 Communication - Directors	-	-	-	470	-	330	-	175	-	-
8 Communication - Custodians	-	-	-	470	-	330	-	175	-	-
9 Communication - Other parties (BANIF, BOP)	1.20	900	3.90	470	-	330	-	175	5.10	2,733
10 Liquidation committee correspondence, meetings and reporting	2.50	1,875	6.70	470	-	330	-	175	9.20	5,024
11 Realisation of custody assets	15.20	11,400	35.50	470	7.30	330	-	175	58.00	30,494
12 Investigation	-	-	-	470	-	330	-	175	-	-
13 Cash Management	5.70	4,275	6.00	470	6.80	330	-	175	18.50	9,339
14 Translations and review of translations	-	-	2.50	470	-	330	-	175	2.50	1,175
Grand Total	120.00	90,000	155.00	72,850	25.70	8,481	0.70	123	301.40	171,454

Banco Privado Português (Cayman) Limited PwC Portugal Detailed Time Analysis for the period 1														
Category	Partner			Senior Manager			Manager			Corporate Consultant			Total	
	Time	Rate	Total €	Time	Rate	Total €	Time	Rate	Total €	Time	Rate	Total €	Total Hours	Total €
1	-	630	-	-	320	-	-	320	-	160	-	-	-	-
2	-	630	-	-	320	-	-	320	-	160	-	-	-	-
3	-	630	-	-	320	-	-	320	-	160	-	-	-	-
4	-	630	-	-	320	-	-	320	-	160	-	-	-	-
5	2.00	630	1,260	-	320	-	-	320	-	160	-	-	2.00	1,260
6	-	630	-	-	320	-	-	320	-	160	-	-	-	-
7	-	630	-	-	320	-	-	320	-	160	-	-	-	-
8	-	630	-	-	320	-	-	320	-	160	-	-	-	-
9	-	630	-	-	320	-	-	320	-	160	-	-	-	-
10	-	630	-	-	320	-	-	320	-	160	-	-	-	-
11	-	630	-	-	320	-	-	320	-	160	-	-	-	-
12	-	630	-	-	320	-	-	320	-	160	-	-	-	-
13	-	630	-	-	320	-	-	320	-	160	-	-	-	-
14	-	630	-	-	320	-	-	320	-	160	-	-	-	-
	2.00		1,260	-		0	-		0	-	-	0	2.00	1,260