

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

*Seventh Report of the Joint
Official Liquidators*

18 September 2013

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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
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
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	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 (2012 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
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

Term	Definition
the JOLs	David A K Walker and Ian D Stokoe, of PwC Corporate Finance & Recovery (Cayman) Limited ('PwC Cayman') appointed Joint Official Liquidators of the Company on 9 July 2010.
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
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. This report should be read in conjunction with the JOLs' previous six reports to the Company's creditors (collectively, the 'Previous Reports').

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. Appointment of the Liquidators

- Messrs David A K Walker and Ian D Stokoe, of PwC Corporate Finance & Recovery (Cayman) Limited ('PwC Cayman') were appointed Joint Controllers (the 'Controllers') over BPP Cayman on 27 May 2010 by the Cayman Islands Monetary Authority ('CIMA') pursuant to its powers under the Banks and Trust Companies Law (2009 Revision).
- The Grand Court subsequently granted the Controllers powers in an Order dated 4 June 2010, which were predominately limited to those powers required to gather information to report to CIMA on the current financial position of the Company and report on matters impacting the Company's depositors, and, to recommend a course of action to CIMA.
- On 15 June, 2010, the Controllers submitted an interim report to CIMA setting out the current financial position of BPP Cayman, the restructuring efforts undertaken to date by the Banco Privado Portugues banking group ('BPP Group') directors appointed by the Bank of Portugal ('BoP') and to set out the Controllers' preliminary conclusions and recommendations. In light of the clear insolvency of the Company, the Controllers recommended that CIMA petition for the winding-up of BPP Cayman as soon as practically possible in order that the affairs of the Bank might be fully investigated and assets realised for the benefit of depositors and creditors.
- CIMA subsequently determined to petition for winding-up and on 9 July 2010 David Walker and Ian Stokoe were appointed Joint Official Liquidators ("JOLs") of the Company by the Grand Court. On 1 September 2010, Vijay Chopra, a Partner of PwC Portugal was appointed as a third JOL, following an application to the Grand Court.

3.2. Purpose of the JOLs' Seventh Report

This report should be read in conjunction with the Previous Reports.

This report of the JOLs has been prepared in order to provide an 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.

4. Conduct of the Liquidation since 20 March 2013

4.1. Summary of actions taken since 20 March 2013

Following the Grand Court hearing on 2 June 2011, in light of the lack of funding for the liquidation, the JOLs focussed their efforts on making necessary submissions in the Portuguese legal proceedings to establish title to the Overdraft and Repos, filing submissions in the liquidation of BPP SA to protect the Company's claims, returning custody asset positions to custody claimants and obtaining detailed and updated information on the financial position of the SIVs.

Below is a summary of the main work-streams undertaken by the JOLs and their staff since 20 March 2013:

1. Preparation of the JOLs' fee applications and presentation to the Grand Court on 9 April 2013;
2. Negotiation of the terms of the Settlement Agreement in respect of Segregated Monies with BPP SA and the directors of the respective SIVs, HF VAR 3 Limited ("VAR 3") and HF VAR 8 Limited ("VAR 8");
3. Presentation to the Liquidation Committee to seek their approval on the terms of the Settlement Agreement;
4. Application to the Grand Court, on 3 May 2013, to seek sanction to enter into the Settlement Agreement for VAR 3 and VAR 8, and prospective sanction for future settlements on the same commercial terms;
5. In conjunction with BPP SA, preparation and execution of final settlement documents and notifications to the underlying note holders. Numerous follow-up communications with underlying note holders to provide further information and seek approval;
6. Meeting with BPP SA and representatives of the Portuguese Republic, in Lisbon, on 11 September 2013 to update on the settlement process and discuss wider collaboration on collection of BPP Cayman's loan book;
7. Conferences with the liquidation committee to discuss the conduct of the liquidation and in particular ongoing litigation and the proposed settlement of Segregated Monies;
8. Ongoing liaison with BPP SA's Liquidation Commission, in particular negotiating and agreeing a framework for:
 - i. Settlement of Segregated Monies positions; and
 - ii. Dealing with loan and set-off issues in the client portfolio through establishment of trust accounts at BPP SA;
9. Ongoing dialogue and correspondence with BPP Cayman's creditors, providing general updates and responses to claim specific queries;
10. Review of 61 new custody claim submissions since March 2013 in order to resolve claims on the custody asset portfolio;
11. Transfer of approximately €5.6 million of custody assets (based on valuation at commencement of liquidation) to beneficiaries since our last report in March 2013,

following investigation of positions and liaison with BPP SA and claimants in order to confirm title, settle outstanding debts, identify claimants and resolve related positions;

12. The JOLs and their Portuguese legal advisors continue to monitor, and participate in the Overdraft and Repo proceedings in the Portuguese Commercial Court; and
13. The JOLs and their Portuguese legal advisors have responded to three separate legal proceedings in Portugal, each involving claims from customers of BPP Cayman against the BPP Group of entities.

4.2. Financial Position

As noted in the Previous Reports, with the exception of monies representing Segregated Monies, substantially all other assets of the Company are purportedly pledged to the Portuguese Republic under the Counter-guarantee. As a result, the liquidation has limited free assets to cover the cost of the JOLs' and their advisors in investigating matters.

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

Chart 1: Receipts and Payments 4 June 2010 to 31 August 2013

Euro Account		
Receipts	Notes	Euro
Receipt of Segregated Monies	1	2,316,678.38
Realisation from investments	2	224,619.83
Cash available at the date of appointment	3	610,557.45
Voluntary contribution to JOLs for t/f of custody assets		219,693.54
		3,371,549.20
Payments		
Controllership fees - PwC Cayman		(87,717.40)
Controllership fees - PwC Portugal		(107,291.18)
Controllership fees – Legal fees Maples and Calder (Cayman Islands' legal counsel)		(8,226.93)
Cayman JOLs fees related to assets potentially subject to pledge		(541,591.26)
Portugal JOLs fees related to assets potentially subject to pledge		(672,413.26)
Legal fees & disbursements - Maples and Calder		(195,657.28)
Legal fees & disbursements - Andrade De Matos (Portuguese legal counsel)		(150,166.24)
PwC Cayman disbursements		(22,757.97)
PwC Portugal disbursements		(11,154.74)
Directors Fees - SIVs		(17,276.37)
Reinstatement Fees - SIVs		(8,380.39)
Statutory Advertising		(1,026.37)
Bank Charges		(1,908.00)
		(1,825,567.39)
Balance as at 31 August 2013		1,545,981.81

USD Account		
Receipt	Notes	US\$
Receipt of Segregated Monies	1	225,413.74
Realisation from investments	2	212,990.03
Funds held by Maples and Calder at date of appointment		54,124.20
		492,527.97
Payments		
Legal fees Maples and Calder		(259,527.42)
Payment to service providers		(13,201.71)
Directors Fees - SIVs		(2,409.35)
Bank charges		(1,000.00)
Statutory advertising/Website		(1,065.30)
Total Payments		(277,203.78)
Balance as at 28 February 2013		215,324.19

Notes***Note 1: Receipt of Segregated Monies***

Following a series of meetings with BPP SA, on 4 October 2010 the JOLs have recovered €2.3m and US\$0.2m from BPP SA in relation to Special Investment Vehicle ("SIV"). As advised to the Grand Court in the 3 May 2013 application, the JOLs' analysis of financial records has now confirmed that these monies were part of the Segregated Monies discussed in the Previous Reports. For the reasons outlined in the Previous Reports, the JOLs consider any Segregated Monies generated during the period prior to BPP Cayman's liquidation to be part of the Company's insolvent estate.

Note 2: Realisation from investments

These monies relate to amounts received in relation to realisation of proprietary investments. Based on their review of the counter guarantee and pledge the JOLs believe all of these investments are subject to the disputed pledge.

Note 3: Cash available at date of appointment

As noted in previous reports, prior to the commencement of the liquidation, the Controllers collected €610,557 from the FEI in relation to investment management fees due to the Company. These assets are unencumbered and therefore free for use by the insolvent estate.

5. Segregated Monies

As noted in Previous Reports, based on a detailed investigation, the JOLs concluded that it is in the best interests of the estate to seek a settlement of the Segregated Monies relating to the proceeds from SIV custody assets.

Following a protracted negotiation period over c.18 months, the terms of a settlement were agreed with BPP SA and the directors of the SIVs VAR 3 and VAR 8. Approval was subsequently sought and received from the Liquidation Committee and the Grand Court provided sanction in its order dated 3 May, 2013.

The Settlement Agreements for VAR 3 and VAR 8 were formally signed on 31 July 2013 and all underlying note holders were then notified and requested to provide their approval or rejection of the terms. As noted in Previous Reports, approval of 75% for each SIV is required in order to meet the terms of the Settlement Agreement, at which point the settlement will apply to SIV and all underlying note holders.

To date, approvals of approximately 64% of VAR 3 note holders and approximately 68% of VAR 8 note holders have been received. BPP SA is coordinating responses and has informed the JOLs that, due to delays in international mail, some approvals have been delayed, but they are confident that based on their discussions with clients the overall approval target shall be reached.

If and when note holder approval is achieved, BPP SA will release the VAR 3 and VAR 8 Segregated Monies on the basis outlined under the Settlement Agreements.

If the settlements are successfully concluded, the JOLs and BPP SA propose to proceed to settlements on the remaining SIVs, prioritising those with the greatest level of Segregated Monies. Given terms have been agreed in advance, and have prospective sanction from the Grand Court, these future settlement agreements are expected to progress more rapidly.

6. Liquidators' Fees and Expenses

6.1. Fees and Expenses Incurred to Date

The time costs for the period from 1 March 2013 to 31 August 2013 incurred by the JOLs total approximately US\$194,018. PwC Cayman 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 as at 1 March 2013 to 31 August 2013 is attached at Appendix 1. This time period will be the subject of the JOLs' fee application in October 2013.

Chart 2: PwC Cayman JOLs' Fees: 1 March 2013 to 31 August 2013

Grade	Mar. 2013 – Aug. 2013	
	Hours	Total (US\$)
Partner	8.6	6,237.50
Director	175.6	113,271.00
Manager	5.2	2,366.00
Assistant Manager	189.6	64,464.00
Senior Administrator	28.9	6,358.00
Staff Accountant	7.6	1,321.50
Total	415.47	194,017.75

Chart 3: PwC Portugal JOLs' Fees: 1 March 2013 to 31 August 2013

Grade	Mar. 2013 – Aug. 2013	
	Hours	Total (Euro)
Partner		
Senior Manager	58.0	17,400.00
Manager		
Manager Corporate	23.5	7,050.00
Consultant	12.5	1,875.00
Total	94.00	26,325.00

The time costs for the period 1 March 2013 to 31 August 2013 have not been approved by the liquidation committee, however, the JOLs will discuss the contents of the report at the liquidation committee meeting to be held on 26 September, 2013.

PwC Cayman and PwC Portugal have incurred combined disbursements of USD\$835 for the period 1 March 2013 to 31 August 2013, a summary of which is below.

Chart 4: JOLs' Disbursements: 1 March 2013 to 31 August 2013

PwC Cayman	US\$	PwC Portugal	Euro
Courier / Postage	444	Courier / Phone / Transportation	231
Phone / Fax	75		
Bank Charges	10		
Total	529	Total	231

7. Next Steps

As noted in section 4.1 of this Report, the JOLs' representative met with the Portuguese Republic in Lisbon on 11 September 2013. At this meeting, the Portuguese Republic proposed that the current arrangements on collection of BPP Cayman loan book monies be formalised in an escrow account arrangement and requested that BPP Cayman provide a recommendation on this process, as well as the question of set-off.

The JOLs are currently preparing a paper covering these items and intend to present this to a specially convened meeting of the Liquidation Committee in mid-October. If agreement can be reached with both BPP SA and the Portuguese Republic on a debt collection 'protocol', the JOLs anticipate that this will also require an application for sanction from the Grand Court.

In the interim, 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:

- Continuing to pursue the claim for Overdraft and Repo monies and BPP Cayman's claim in the BPP SA liquidation, in the Portuguese Commercial Court;
- Recovering the BPP Cayman loan book and returning custody assets to clients, where necessary through the trust account approach agreed with BPP SA; and
- Pursuing recovery and/or settlement of the Segregated Monies in relation to SIVs and then proceeding to unwind the SIVs themselves and return Client Monies and assets to noteholders.

Given the limited funding available in the liquidation, these actions will be undertaken in the most cost effective manner possible.

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



Ian Stokoe
Joint Official Liquidator
Banco Privado Portugues (Cayman) Limited

Appendix 1 Summary of Liquidators' Fees for the period 1 March 2013 to 31 August 2013

Banco Privado Portugues (Cayman) Limited (In Liquidation)
 PwC Corporate Finance & Recovery (Cayman) Limited
 Detailed Time Analysis for the period 1 March 2013 to 31 August 2013

Category	Partner		Director		Manager		Asst. Manager		Senior Administrator		Staff Accountant		Total Hours	Total US\$		
	Hours	Rate US\$	Hours	Rate US\$	Hours	Rate US\$	Hours	Rate US\$	Hours	Rate US\$	Hours	Rate US\$	Hours	US\$		
1 Appointment of JOLs, job acceptance, administration and billing	-	-	5.7	645	-	-	24.1	340	88	220	0.3	175	44	12,002		
2 Statutory requirements - Inc statutory filings and website	-	-	-	-	-	-	1.8	340	-	-	-	-	1.80	612		
3 Statutory requirements - Inc creditors meeting, review of claims, minutes and preparing	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
4 Strategy, asset realisation & legal analysis & support	5.2	725/730	3.773	118.0	645	76,119	5.0	455	2,275	30.1	340	10,234	1.0	220	159.32	92,621
5 Communication - creditors and	-	-	-	-	2.6	645	1,677	0.2	455	91	-	-	-	-	8.70	3,774
6 Communication - BPP SA	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7 Communication - Directors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8 Communication - Custodians	-	-	-	0.9	645	581	-	-	-	-	-	-	-	-	0.90	581
9 Communication - Other parties (BANIF, BOP)	-	-	-	-	-	-	2.3	340	782	-	-	-	-	-	2.30	782
10 Liquidation committee correspondence, meetings and reporting	-	-	-	1.2	645	774	-	-	-	-	-	-	-	-	9.90	3,732
11 Realisation of custody assets	2.9	725	2,103	37.5	645	24,188	-	-	-	-	-	-	-	-	179.00	70,114
12 Investigation	-	-	-	7.8	645	5,031	-	-	-	27.5	220	6,050	-	-	7.80	5,031
13 Cash Management	0.5	725	363	1.9	645	1,226	-	-	-	-	-	-	-	-	7.80	3,424
14 Translations and review of translations	-	-	-	-	-	-	0.2	340	68	-	-	-	7.3	1,278	7.50	1,346
Grand Total	8.6	6,238	175.6	113,271	5.2	2,366	189.6	64,464	28.9	6,358	7.6	1,321	415.47	194,018		

