

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

*Joint Official Liquidators’
Report to the Liquidation
Committee*

23 February 2012

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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 (2010 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 and Vijay Chopra of PwC Portugal, appointed as a third Joint Official Liquidator on 1 September 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, Disclaimer and Notice

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 Liquidation Committee. This report should be read in conjunction with the JOLs' previous four reports to Creditors and the Grand Court of the Cayman Islands.

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 Liquidation Committee. 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').

2.1. Notice

This report did contain commercially sensitive information relating to the potential settlement of a legal dispute. As such, the contents have been redacted.

3. Introduction

This report has been prepared in order to provide the Liquidation Committee with:

1. An update on the conduct of the Liquidation since the last Liquidation Committee meeting on 11 October 2010;
2. A financial account for the Liquidation to date;
3. The background to a potential settlement regarding segregated monies held at BPP SA, over which both BPP Cayman and a group of its Structured Investment Vehicle ("SIV") related clients claim title; and
4. An update regarding the question of statutory set-off of mutual positions between BPP Cayman and its clients.

The JOLs intend to convene a meeting of the Liquidation Committee, in early March 2012, at which the contents of this report and any other matters members wish to raise will be discussed.

4. Conduct of the Liquidation since 11 October 2011

4.1. Summary of actions taken since 11 October 2011

Following the Grand Court hearing on 2 June 2011, in light of the lack of funding for the liquidation, the JOLs have 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 pursuing the recovery of segregated monies held by BPP SA on behalf of BPP Cayman.

Below is a summary of the main work-streams undertaken by the JOLs and their staff since 11 October 2011:

1. With Portuguese legal counsel, ongoing monitoring of submissions into the proceedings in the Portuguese Commercial Court regarding Overdraft receivables claimed for the insolvent estate by the JOLs. Since October 2011, there have been no major developments in this respect;
2. Ongoing dialogue and meetings with BPP Cayman's creditors, providing general updates and responses to claim specific queries;
3. Review of 46 new custody claim submissions since October 2011 in order to resolve claims on the custody asset portfolio;
4. Transfer of approximately €2.5m of custody assets to beneficiaries since our last report in October 2011, following investigation of positions and liaison with BPP SA and claimants in order to confirm unencumbered title, identify claimants and resolve related positions;
5. Analysis of the legal title to monies held at BPP SA with respect to SIV structures, and subsequent meetings and negotiations with SIV representatives to discuss their claims to title. This work has culminated in a draft settlement agreement with a number of SIV loan note holders;
6. Preparation of the JOL's Fourth Report dated 10 October 2011;
7. Annual meeting of creditors held on 7 December 2011 by teleconference, at which the JOLs' Fourth Report was presented and a general update on progress was provided; and,
8. Liaison with BPP SA with respect to set-off issues on behalf of a number of BPP Cayman clients; and,
9. Preparation of the JOLs' fee application and presentation to the Grand Court on 25 October 2011.

4.2. Financial Position

As noted in previous reports, substantially all of the assets of the Company are purportedly pledged to the Portuguese Republic under the Counter-guarantee. As a result, the liquidation has limited free assets, which are restricted to investment management fees collected from the FEI and voluntary payments received from custody asset claimants to cover the JOLs' costs in investigating their cases.

Following a series of meetings with BPP SA, the JOLs have recovered €2.3m and US\$0.3m from BPP SA in relation to Special Investment Vehicle ("SIV") loan repayments. The JOLs are advised

that these monies may potentially be caught under the Counter-guarantee and pledge and as such are not freely available to the insolvent estate of the Company.

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 22 February 2012

Euro Account		
Receipts	Notes	Euro
Loan receipts	1	2,315,991.38
Realisation from investments	2	34,205.13
Cash available at the date of appointment	3	610,557.45
Voluntary contribution to JOLs for t/f of custody assets		60,689.26
Total Receipts		3,021,443.22
Payments		
Legal fees & disbursements - Maples and Calder		(125,773.21)
JOLs Fees related to assets potentially subject to pledge		(125,500.55)
Controllership fees - PwC Portugal		(107,291.18)
Controllership fees - PwC Cayman		(87,717.40)
PwC Cayman disbursements		(19,824.64)
Controllership fees – Legal fees Maples and Calder (Cayman Islands' legal counsel)		(8,226.93)
Legal fees & disbursements - Andrade De Matos (Portuguese legal counsel)		(1,206.64)
Statutory Advertising		(1,026.37)
Bank Charges		(435.00)
Total Payments		(477,001.92)
Balance as at 22 February 2012		2,544,441.30

USD Account		
Receipt	Notes	US\$
Loan receipts	1	225,413.74
Realisation from investments	2	168,864.60
Fund held by Maples and Calder at date of appointment		54,124.20
Total Receipts		448,402.54
Payments		
Controllership - Legal fees Maples and Calder		(155,794.48)
Payment to service providers		(5,597.31)
Bank charges		(500.00)
Statutory Advertising/Website		(487.80)
Total Payments		(162,379.59)
Balance as at 22 February 2012		286,022.95
Potential pledged funds		
		Euros
Realisation from investments		161,545.92
Loan receipts		2,485,975.88
		2,647,521.81
Unencumbered Funds		111,786.09

Notes

Note 1: Loan receipts

These monies relate to amounts recovered from BPP SA in relation to overdrafts due to BPP Cayman from a number of SIV clients.

The JOLs understand that these SIV receivables and proprietary investments were included in the listing of assets purportedly pledged under the Counter-guarantee. As such, notwithstanding that the JOLs consider the Counter-guarantee to be invalid, these assets are not free for use in the insolvent estate until the Counter-guarantee has been overturned. However, the JOLs are entitled to recovery of fees related to the collection of receivables and proprietary assets, from these funds and they have been used to pay the JOLs' fees shown in Chart 1 above.

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.

Note 4: Conversion of USD

USD amount have been converted to Euro at 0.7541, the appropriate rate as at 22 February 2012.

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5. Next Steps

As noted above, the JOLs intend to convene a Liquidation Committee meeting for early March 2012, via telephone conference, at which the principal matter for discussion will be the proposed settlement relating to Segregated Monies. At this meeting, the JOLs shall also provide a general update on the liquidation progress and a financial account of the liquidation to date, as well as addressing any specific queries raised by the Liquidation Committee members.

A JOLs' fee application is scheduled to be heard at the Grand Court on 11 April 2012. Accordingly, the JOLs shall circulate details of their proposed fees to the Liquidation Committee and request their approval prior to that hearing. If, as has been the case in the past, the Liquidation Committee remains unwilling to consider the JOLs' fees, this will be duly noted in the JOLs' application to the Grand Court.

With respect to the question of set-off, the JOLs intend to continue their attempts to engage the BoP and Portuguese Republic on this matter, and shall ensure the Liquidation Committee is updated with any significant developments in this respect.

In addition, 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. Given the lack of funding for the liquidation, these actions will be undertaken in the most cost effective manner possible and principally comprise the resolution of custody asset positions, while making the necessary submissions in the Portuguese Overdraft and Repo proceedings and the BPP SA liquidation.

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

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