

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

*Joint Official Liquidators’ First
Report to Court*

24 May 2011

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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 to the Portuguese Republic on 5 December, 2008
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 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' ('JOL's') 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' First and Second reports to Creditors, filed in the Grand Court on 31 August 2010 and 17 November 2010 respectively.

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. 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 at this stage in the liquidation 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. Accordingly, no representation or warranty of any kind (whether express or implied) is given by either the JOLs or PwC as to the accuracy, completeness or fitness for any purpose of this report.**

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' First Report to Court

This report should be read in conjunction with the JOLs' First and Second reports to Creditors, filed in the Grand Court on 31 August 2010 and 17 November 2010 respectively.

This first report of the JOLs to the Grand Court, has been prepared in order to provide an update on the progress and conduct of the liquidation, including a summary of asset realizations, investigations and potential litigation options, as well as an application for the Grand Court to set the fees of the JOLs.

4. Conduct of the Liquidation to Date

4.1. Summary of actions taken since Appointment

Below is a summary of the main work-streams undertaken by the JOLs and their staff since commencement of the winding-up:

1. Holding the first meeting of Creditors in Lisbon, Portugal, on 26 August, at which the JOLs' first Report to Creditors was presented and the Liquidation Committee was appointed;
2. Appointment of Vijay Chopra as a JOL on 1 September 2010 by order of the Grand Court of the Cayman Islands;
3. Detailed review of BPP Cayman's asset base, and investigation of assets purportedly pledged in favour of the Portuguese Republic, liaising with former directors, BPP SA and external custodians;
4. Realisation of €2.3m and US\$0.3m of SIV related receivables (overdraft repayments);
5. In-depth investigation of Repo and Overdraft positions with the Special Investment Fund (FEI), purported transfers, and investigation into the formation of the FEI itself;
6. Meetings and correspondence with Banif Gestão de Activos, management company of the FEI, CMVM and BPP SA in relation to Repos and Overdrafts;
7. Application to the Grand Court for directions with respect to Portuguese proceedings relating to the Repo and Overdraft positions;
8. Submission to the Portuguese Commercial Court contesting BPP SA's apprehension of the Repo and Overdraft positions, resulting in the commencement of a Portuguese proceeding and the placing of c.€99,4m, US\$2,7m and £0.11m of Overdraft monies into an escrow account under the control of the Portuguese Commercial Court;
9. Investigation of the purported Counter-Guarantee, legal analysis, and subsequent meetings and correspondence with Bank of Portugal (BoP);
10. Holding the second meeting of Creditors in Lisbon, Portugal, on 12 November, at which the JOLs' second Report to Creditors was presented;
11. Development of litigation strategy, litigation cost estimates and summary reports for potential funders;
12. A series of 25 one-to-one meetings with potential litigation funders and/or representatives to discuss strategy, costs, and funding appetite;
13. Investigation of the BPP Group's SIV portfolio, including asset base, contractual framework, capital structure and historical transactions, based on the information made available by the Liquidation Commission of BPP SA;
14. Two full meetings of the Liquidation Committee, and four additional ad hoc meetings with Liquidation Committee members on specific issues;
15. Review of initial custody asset claims and development of a proposed universal approach for resolution;

16. Correspondence with potential custody asset claimants advising of approach and requesting submission of claims;
17. Review of 67 claim submissions in order to resolve claims on the custody asset portfolio;
18. Transfer of c.€8m of custody assets to beneficiaries, following investigation of positions and liaison with BPP SA and claimants in order to confirm unencumbered title, identify of claimant and resolve related positions;
19. Review of SIV entity records pertaining to financial position, underlying creditors and pledged assets, analysis of legal position with respect to applicability and enforceability of associated pledges;
20. Correspondence with BoP's legal representative regarding treatment of custody assets and applicability of set-off and seeking a meeting to resolve pledge related issues; and
21. Ongoing dialogue and meetings with Company creditors, providing responses to claim specific queries.

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.

However, in the course of their investigations the JOLs have identified an amount of €20.9m and US\$0.8m, as at January 2011, held by BPP SA, representing monies held on the Company's account, which were received by BPP SA from a third party custodian following the commencement of the BPP SA liquidation. While BPP SA acknowledges that it has no rights over these monies, it has refused to remit these amounts to the Company. The JOLs are taking legal advice on the options available to pursue and recover these monies, which appear to represent part of the Company's insolvent estate.

Following a series of meetings with BPP SA, the JOLs have recovered €2.3m and US\$0.3m from BPP SA in relation to SIV receivables. The JOLs are advised that these monies may potentially be caught under the Counter-guarantee and pledge and as such are not 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 31 March 2011**Euro Account****Receipts**

	Notes	Euro
Voluntary contribution to JOLs for t/f of custody assets		20,020.33
Potentially pledged funds	1	2,350,196.51
Cash available at the date of appointment	2	610,557.45
		<u>2,980,774.29</u>

Payments

Controllership fees - PwC Cayman		(87,717.40)
Controllership fees - PwC Portugal		(38,533.25)
Controllership fees - Maples & Calder		(8,226.93)
Maples & Calder		(36,750.80)
Statutory Advertising		(1,026.37)
PwC Cayman disbursements		(19,824.64)
Bank Charges		(200.00)
		<u>(192,279.39)</u>

Balance as at 31 March 2011**2,788,494.90****USD Account****Receipt**

		US\$
Fund held by Maples and Calder at date of appointment		54,124.20
Potentially pledged funds	1	330,635.91
		<u>382,760.11</u>

Payments

Controllership fees - Maples & Calder		(54,124.20)
		<u>(54,124.20)</u>

Balance as at 31 March 2011**330,635.91****Unencumbered Funds**

Euro Account	<u>€438,298.39</u>
USD Account	<u>Nil</u>

Notes***Note 1: Potentially pledged funds***

These monies relate to amounts received from BPP SA in relation to overdrafts due to BPP Cayman from a number of SIV clients, together with €34,205.13 and US\$27,154.11 received in relation to realisation of proprietary investments.

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.

Note 2: 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.

4.3. Custody Assets

As noted in previous reports, the Company was established principally for the purpose of facilitating investments in securities by BPP Group clients, both directly and also via various offshore domiciled Special Investment Vehicles ('SIVs'). While the legal responsibility for control and management of the invested assets and SIVs was vested in BPP Cayman, in practice the effective control and management was carried out by BPP SA in Portugal.

As a result, on commencement of the liquidation the Company retained overall responsibility for a large portfolio of custody assets and SIVs, although actual control of assets and corporate records remained with BPP SA, and its Liquidation Commission.

The Company's custody assets can be separated into three broad categories:

1. Units of participation in the FEI – ('FEI Units')
2. Securities held on behalf of SIVs established by the BPP Group, which are in turn being claimed by the ultimate investors in those SIVs – ('SIV Custody Assets')
3. Securities held on behalf of individual customers of BPP Cayman – ('Client Custody Assets')

The nature of the BPP Group custody asset portfolio results in a number of complexities in terms of resolving the positions, namely:

1. There are a large number of custody asset claimants, approximately 322, and related assets were valued at approximately €407m, as at 16 April 2010 ;
2. Due to incomplete documentation of custody agreements and associated loans, pledges and set-off provisions, each custody asset requires review on a case-by-case basis, where necessary with the support of Portuguese and/or Cayman legal counsel;

3. The situation is further complicated by interaction with the parent company, BPP SA, as the JOLs are aware of a number of situations where cross-collateral and transfer of accounts impact on the beneficial ownership of 'Custody' assets;
4. All documentation and control of the Custody Assets at third party custodians is retained by BPP SA, as such the JOLs have no actual control over the assets in question and are obliged to reach agreement on each specific case with BPP SA; and
5. The transfer of positions between custody asset claimants during a period of potential insolvency prior to commencement of the Liquidation adds further complications with regard to applicability of set-off.

At the first meeting of Creditors, and in the subsequent first meeting of the Liquidation Committee, the JOLs highlighted that the lack of funding for the liquidation presented a significant potential obstacle to resolving the custody asset positions and returning the assets to their rightful owners.

The two principal options identified for funding the resolution of custody asset positions were, firstly, seeking a pre-emptive costs order to enable the JOLs to utilize Custody Asset proceeds to fund the process and, secondly, to address Custody Assets on a case-by-case basis by reaching a voluntary agreement for funding with each of the Custody Asset claimants.

In light of the uncertainty over costs, and the wide custody asset claimant base, the former approach of a pre-emptive costs order was favoured by the JOLs. However, the Liquidation Committee made it clear that a pre-emptive costs approach was not acceptable to the Liquidation Committee members or the creditors they represented.

Given the lack of funding for the liquidation, the JOLs considered that it would be inappropriate to utilize the limited funds in pursuit of a pre-emptive costs order in circumstances where it would likely be contested by custody asset claimants.

Accordingly, an alternative approach of reaching voluntary agreement for funding, on a case-by-case basis, was developed and agreed with Liquidation Committee members. A voluntary fixed fee payment of €2,000.00 per custody asset claimant was agreed upon with respect to relatively simple custody asset cases, such as Client Custody Assets and FEI Units, and providing clients were willing to settle any outstanding obligations due to BPP Cayman. Where custody asset claims relate to more complex structures, such as SIV Custody Assets, the JOLs sought to agree specific funding terms with the relevant claimants.

Where custody asset claimants were not prepared to settle their obligations to the Company, or where debts remained outstanding to BPP SA, the JOLs would be obliged to carry out all the necessary investigations prior to transfer of the custody assets. As such, the JOLs will only be prepared to conduct these investigations when, and if, the liquidation estate secures funding to cover the cost of this work.

Major custody asset claimants were consulted on the proposed process in a number of meetings and conference calls with the JOLs and their Portuguese legal advisors and these claimants were also supportive of the voluntary funding approach. On 6 December 2010, an email circular was sent to all potential Custody Asset claimants outlining the process and requesting details of their claim (refer Appendix 1).

To date, the JOLs have received 67 custody asset claims in response to their 6 December email circular. The JOLs are working through these claims, in conjunction with BPP SA and, where

claimants confirm they are willing to meet the fixed fee of €2,000.00 per claim, the JOLs are authorizing the transfer of unencumbered custody assets. To date custody assets with an approximate value of c.€8m have been transferred.

In a number of custody asset cases the claimant also holds unsecured claims in the liquidation in its capacity as an account holder, and has loan or overdraft obligations due to the Company. The JOLs note that it is standard commercial practice of the bank to insist upon repayment of customer debts prior to transfer of custody assets. Accordingly, the JOLs have sought to follow usual commercial practice and pursue repayment of the Company's loans prior to custody asset transfer. With respect to more complex custody asset cases, such as those involving offset of mutual dealings and security interests, the JOLs are seeking voluntary payment for a portion of fees incurred based on a fee budget agreed in advance of work being conducted.

The JOLs are satisfied that, based on Cayman Islands Companies Law, the customer accounts, overdrafts and loans together constitute mutual dealings and appear eligible for statutory set-off in the liquidation.

However, the JOLs are also aware that each of these customer loans and overdrafts has purportedly been pledged to a third party, the Portuguese Republic, under the Counter-guarantee and pledge. The JOLs are advised that a valid and enforceable Portuguese pledge would enable the beneficiary to collect the gross value of the debt from a properly notified debtor. While the JOLs are of the view that the Counter-guarantee is not valid, this is yet to be confirmed via a court process. Hence, the purported rights of the Portuguese Republic with respect to these loans should not be prejudiced.

Accordingly, the JOLs have sought a dialogue with the Portuguese Republic, via the BoP's Cayman Islands legal counsel, Campbells, in order to discuss the matter of set-off and collection of the Company's loan book. However, the JOLs recognize that custody assets should not be retained indefinitely, pending these discussions, and have therefore advised custody asset claimants that, while the JOLs will be willing to resolve their positions and apply set-off, this will be without prejudice to the position of the Portuguese Republic as beneficiary under the purported Counter-guarantee and pledge.

In addition to this approach, the JOLs have determined that the Company will also write to those custody asset claimants that are unwilling to make voluntary payments toward costs, to confirm that the Company holds no interest in the custody asset in order that the claimant would be free to pursue recovery from BPP SA independently.

4.4. Creditors' Meetings and Reports

Shortly after their appointment, the JOLs convened the first Creditors' meeting in order to present their report on the affairs of the Company and seek the appointment of a Liquidation Committee. This first meeting of Creditors was held in Lisbon, with telephone conference access provided, on 26 August 2010, and a Liquidation Committee was duly appointed (refer Appendix 2 for the minutes of the First Creditors' Meeting).

As described in detail in the JOLs' First and Second Reports to Creditors, the insolvent estate of the Company lacks the funds required to pursue certain legal actions that the JOLs consider would be in the interests of Creditors. In order to determine whether there was a realistic prospect of acquiring the necessary litigation funding from the Creditor group, the JOLs convened a Second Creditors Meeting, which was held in Lisbon on 12 November 2010 and at

which the JOLs presented their Second Report to Creditors and canvassed opinion of litigation funding (refer Appendix 3 for the minutes of the Second Creditor's Meeting). The JOLs' efforts to secure funding for litigation are discussed in further detail in Section 6 below.

4.5. The Liquidation Committee

The first meeting of the Liquidation Committee ('Committee') was held on 2 September, 2010 and was conducted via telephone conference.

At this initial meeting, the Committee members determined that prior to considering the liquidation strategy items on the meeting agenda, the Committee members would prefer to meet separately, without the presence of the JOLs or their legal advisors, in order to consider their requirements. The JOLs agreed with this approach but urged the Committee to move promptly in light of the pressing matters, and in particular resolution of custody assets. Accordingly, the first meeting of the Committee was adjourned.

Following the adjourned meeting, two members of the Committee, Challenger II, represented by Mr Neto and Praga Pedro Nunes represented by Mr Serra advised the JOLs that they had been elected by the other Committee members to represent the Committee in discussions with the JOLs. Mr Serra also provided a list of information items which the Committee required the JOLs to obtain. The JOLs cautioned that, while the lack of access to Company records and the limited funding may prevent them from providing all the information, every effort would be made to do so.

The JOLs also advised that Committee members may not delegate their role to two 'representatives', but in the interests of expediency and practicality agreed to hold informal meetings with Mr Neto and Mr Serra to discuss liquidation matters. Over the following two months, a series of 4 ad-hoc meetings were held by the JOLs' staff with Mr Neto and Mr Serra in their informal role as representatives of the Committee. These meetings principally focused on the resolution of custody asset positions and consideration of potential litigation strategy.

During these meetings, both Mr Neto and Mr Serra advised the JOLs of their intention to bring individual legal actions, outside the Company's liquidation process, against BPP Group entities and the Portuguese Republic, on behalf of their own clients. These actions had not been brought to the attention of the JOLs at the time of appointment of the Committee.

Similarly, Mr Neto subsequently advised the JOLs that he had been appointed as a member of the BPP SA Liquidation Committee, and the JOLs are aware that Mr Serra is the lawyer representing Privado Clientes Association, which has a close relationship with clients that joined the FEI. Given the potential for dispute between BPP Cayman, BPP SA and the FEI, the JOLs were mindful of the possible conflict of interest, and it was determined that Mr Neto and Mr Serra should not be privy to any matters which could prejudice the Company's position with respect to BPP SA and to the FEI. Given the intermingled nature of the BPP Group, it was inevitable that Mr Serra and Mr Neto's clients had positions in both BPP Cayman and BPP SA, and accordingly both committee members were continually reminded of their obligations to adhere to the provisions of the confidentiality agreement they had signed.

Having reached agreement with Mr Neto and Mr Serra that funding should be sought from the Creditor base in order to finance litigation, the JOLs sought to convene a formal meeting of the Committee. This meeting was postponed until 3 December 2010 in order to ensure the majority of members were available to attend.

As is detailed further in the minutes of the Adjourned First Meeting of the Committee, a number of matters were discussed, namely:

The committee was advised of the progress made with respect to resolution of custody asset positions, the Members noted that the approach to resolution was a positive development.

The key elements of the proposed litigation strategy were outlined and the Members were asked for their views and input. The responses received were broadly in support of the strategy, although the following points were raised

- One Member was not satisfied with the choice of Portuguese and Cayman Islands legal advisors and their associated fee estimates, albeit alternative advisors were not proposed;
- It highlighted that in their view it was not appropriate for the JOLs to be actively involved in the litigation process, which should be led and handled by attorneys;
- Committee Members stated that the JOLs' fees should be contingent, based on success of the litigation; and
- Offers of support for litigation funding from Committee Members were predicated on the points noted above and also conditional upon the JOLs securing the release of a Committee Member's custody assets from BPP SA.

The JOLs presented their fee analysis and a proposed basis of remuneration for the Committee's consideration. The Committee members declined to either agree a basis for the JOLs' fees, or, in light of the lack of results to date, to agree the actual quantum of fees. While the JOLs offered to provide any further information required, or to discuss alternative bases for fees, the Committee concluded that it was unwilling to consider the matter further and that the JOLs should apply to the Grand Court for approval of their fees. Accordingly, the JOLs have submitted an application for approval of their fees to the Grand Court.

5. Liquidators' Investigations and Potential Causes of Action

5.1. Portuguese Republic Counter-Guarantee

As outlined in the JOLs' First and Second Reports to Creditors, the JOLs have investigated the counter-guarantee and pledge purportedly provided by BPP Cayman to the Portuguese State (the "Counter-guarantee") and concluded that the validity of the pledge could be challenged.

Specifically, the JOLs and their Cayman and Portuguese legal counsels believe that the Counter-guarantee was not in the best interests of the Company and its creditors and that was (or should have been) known to the guarantee beneficiary, the Portuguese Republic. In addition, the Counter-guarantee was provided at a time when the Company was clearly insolvent. As such, the JOLs consider that the validity of the Counter-guarantee should be further investigated and challenged.

The JOLs and their legal advisors determined that the Cayman Islands was the preferred forum in which to challenge the Counter-guarantee and have developed a legal strategy and associated costs estimates to put to interested stakeholders with a view to raising sufficient funding with which to pursue a challenge

As detailed further in Section 6 below, the JOLs have held both a general creditors' meeting and a series of 21 further one-to-one meetings with potential funders from within the creditor group. In addition, third party litigation funding providers have been contacted with a view to financing the action. However, to date insufficient potential funding has been identified from among the creditor group to see a case through to conclusion, and the third party funders have raised serious concerns regarding the jurisdictional and enforcement risks.

The JOLs remained open to alternative approaches and, as outlined in Section 6 below, the litigation funding requirements and proposed strategy both with respect to Portuguese and Cayman Islands proceedings have been discussed in detail with both the Liquidation Committee and, in a series of one-to-one meetings, with potential funders from within the Company's Creditor base. The JOLs have sought to achieve a broad consensus on strategy from the group of potential funders. However, as noted in Section 5.3 below, an ongoing Portuguese legal proceeding may potentially be decisive in determining the forum and indeed the validity of the Counter-guarantee.

5.2. Repos and Overdrafts

As outlined in the JOLs' First and Second Reports to Creditors, the JOLs' investigations identified serious concerns with respect to the purported transfer to BPP SA of Repo and Overdraft receivables totalling c.€233m. These receivable balances were originally due to the

Company from a series of SIVs and, following the ring-fencing of these SIVs' assets and liabilities into the FEI in March 2010, the debtor became the FEI itself.

The JOLs' principal concerns are:

1. The JOLs' investigations had confirmed that there was no formal documentation of the transfer of Repos and Overdrafts, and that the board of BPP Cayman had not approved such a transfer;
2. Assets of significant value had purportedly been transferred to the Company's parent company, for no tangible consideration, during a period in which both companies were clearly insolvent. The JOLs understand the transfer was purportedly made in exchange for a corresponding reduction in the Company's intercompany obligations to BPP SA. Given the insolvency of BPP Cayman at this time and the commencement of formal liquidation shortly afterward, the JOLs note that any such transaction may represent a preference;
3. The FEI Prospectus, Management Regulations and Implementation Agreement identified BPP Cayman as the creditor of Repo and Overdraft receivables; and
4. The appropriation of Repo and Overdraft receivables by BPP SA is also in contravention of the express terms of the prospectus of the FEI, which provide for a sharing of proceeds between the Company and its parent bank.

Following a detailed review of the documentation and interviews with the Company management and front office staff, the JOLs wrote to the FEI, Banif Gestão de Activos (as management company of the FEI), CMVM and BPP SA, seeking to highlight their concerns and to attempt resolve this ownership of the Repos and Overdrafts.

The JOLs and their legal advisors subsequently met with Banif Gestão de Activos and sought to arrange a further meeting of all interested parties in order to attempt an informal mediation of the position. While Banif Gestão de Activos was willing to attend such a meeting, BPP SA refused to consider further discussions on the matter. As CMVM was unwilling to intervene, there were no further options for out of court resolution.

5.3. Portuguese Legal Proceedings

On 12 November 2010, the Liquidation Commission of BPP SA formally issued a list of assets to be included within the insolvent estate of BPP SA. This list included the disputed Repo and Overdraft receivables. The JOLs are advised that liquidators in Portugal are required to issue such lists in order to settle the insolvent estate, although in the case of banking institutions it can often take a number of years post commencement of insolvency for the list to be issued.

BPP SA's production of an asset list presented an opportunity for the JOLs to challenge the purported appropriation of Repo and Overdraft assets by BPP SA in a relatively low-cost process. The JOLs were also advised by their Portuguese Counsel that failure to submit a challenge to the BPP SA Liquidation Commission's claim of title to these assets, within the Portuguese Court's five day deadline, may have precluded the JOLs from subsequently challenging the transaction.

Accordingly, the JOLs obtained sanction from the Grand Court to submit a pleading to the Portuguese Commercial Court setting out their argument that the Repo and Overdraft assets do

in fact belong to BPP Cayman. This pleading was submitted on 22 November 2010 and broadly outlined the JOLs' views that:

- The purported transaction was not sanctioned by the Company and accordingly, did not take place;
- That had the transfer taken place, it would be voidable as a preference as a matter of Cayman Islands and Portuguese Law; and further,
- That transfer was also inconsistent with the terms of the FEI.

Further, the BoP advised BPP SA, in correspondence copied to the JOLs, that; firstly, the overdrafts are due to the Company rather than BPP SA and, secondly, in their view the Counter-guarantee and pledge represents an effective charge over these monies in favour of the Portuguese Republic.

Following the JOLs' submission to the Portuguese Commercial Court, Banif placed the full amount of Overdraft payables, c. €99,4m, US\$2,7m and £0.11m, into an escrow account under the control of the Portuguese Court, and commenced a process to determine rightful ownership. The JOLs understand that this process is similar in nature to a form of interpleader proceeding.

The JOLs understand that it is in BoP's favour to argue that title rests with the Company rather than BPP SA, in order to take advantage of the subordination of liquidation fees and expenses behind fixed and floating charges in the Cayman Islands, in contrast to the priority given to BPP SA liquidation expenses over assets purportedly charged under the Counter-guarantee.

The JOLs are now in the process of preparing a detailed filing for these proceedings, responding to the submissions of Banif and the BoP, the deadline for which is 2 June, 2011.

Accordingly, it now appears likely that both the ownership of Repos and Overdrafts and the validity of the Counter-guarantee and pledge will be determined in these Portuguese proceedings.

The JOLs note that, as a substantial creditor in the insolvent estate of BPP SA, the Company's interests in that liquidation could be significant. On 20 May 2011, the JOLs filed a petition into the Lisbon Commercial Court outlining the Company's contingent preferential claim in the BPP SA liquidation. This claim essentially relates to the Company's 'right of return' (Portuguese equivalent of subrogation) in relation to any Company assets taken by the Portuguese Republic under the pledge to satisfy debts due from BPP SA. The effect of this right of return would be to elevate the Company's claim in the BPP SA liquidation from that of subordinated intercompany creditor to preferred creditor, ranking alongside the secured claims of the Portuguese Republic.

6. Funding of the Liquidation

The total costs incurred in the liquidation as at 31 March 2011 are set out below. US\$74,977 of these costs have been paid and US\$1,740,501 remain outstanding.

Chart 2: Liquidation Expenses incurred as at 31 March 2011

	Total US\$	Paid US\$	Outstanding US\$
Cayman and Portugal JOLs fees	1,323,549	Nil	1,323,549
Cayman and Portugal JOLs disbursements	47,611	26,119	21,492
Maples & Calder fees (Cayman Legal counsel)	287,696	48,858	238,838
António Matos (Portuguese legal counsel fees)	120,781	Nil	120,781
	\$1,779,637	\$74,977	\$1,704,660
Fund available to insolvent estate as at 31 March 2011			\$622,077
Funding shortfall			\$1,082,583

Note: EUROS translated at EUR/USD exchange rate of 1.4193 as at 11 May, 2011

Evidently, the liquidators' free assets are insufficient to cover the costs incurred to date. As such, substantial additional funding is required if the JOLs are to pursue the causes of action outlined in Section 5.

As outlined in the JOLs' Second Report to Creditors, the primary purpose of the Second Meeting of Creditors on 12 November 2010, was to communicate the JOLs' view that potential causes of action are available to the Company, which should be pursued, and to gauge potential interest of the Creditors in providing such funding.

At this meeting, the JOLs requested that any parties with a potential interest in funding contact them within 21 days. Numerous responses were received from the Creditor group and the JOLs have since obtained signed confidentiality agreements from 42 of these parties. Those that have provided the confidentiality undertaking have been provided with an explanation of proposed strategy and likely costs from the JOLs, supported by legal analysis from their Cayman Islands and Portuguese counsels.

A series of 25 one-to-one meetings were held in Lisbon and Oporto, Portugal, with amongst others, the largest of the potential funders, in order to determine whether there is a realistic prospect of sourcing sufficient funding.

Based on the meetings to date, it is clear that the funding available from the Creditor group is significantly below that required to pursue the proposed litigation process in the Cayman Islands and/or in Portugal. Accordingly, while the JOLs will continue to canvass remaining potential Creditor funders, it seems likely that the required funding will not be forthcoming from this source.

The JOLs have also approached 3 providers of third party litigation funding, to discuss the case on a confidential basis. However, based on these discussions, the risks associated with potential

jurisdictional and enforcement issues impacting the litigation strategy are likely to preclude third party litigation funding.

7. Liquidators' Fees and Expenses

7.1. Fees and Expenses Incurred to Date

The time cost for the period from 9 July 2011 to 28 February 2011 incurred by the JOLs total approximately US\$1,323,549¹. 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 9 July 2009 and 2010 is attached at Appendix 4.

PwC Cayman			PwC Portugal		
Position	Hours	Amount US\$	Position	Hours	Amount Euro
Partner	7	4,623	Partner	216	129,600
Director	203	117,960	Director	-	-
Senior Manager	389	194,450	Senior Manager	457	137,100
Manager	37	15,220	Manager	655	196,350
Senior Accountant	228	65,975	Senior Accountant	1,225	183,675
Staff Accountant	46	7,424	Staff Accountant	-	-
Total	910	405,652	Total	2,552	646,725

As discussed above, the time costs for the period 9 July 2011 to 28 February 2011 have not been approved by the liquidation committee, and no fees have been drawn pending the JOLs' application to the Grand Court.

The Cayman JOLs have incurred UD\$26,226 disbursements to 28 February 2011, a summary of which is below. To date the JOLs have drawn US\$26,119.

PwC Cayman		US\$	PwC Portugal		Euro
Courier		703	Courier		926
Phone / Fax		3,101	Phone / Fax		3,242
Travel expenses		21,583	Travel expenses		3,566
Statutory Advertizing/ Meeting expenses		596	Statutory Advertizing/ Meeting expenses		5,284
Photocopies		222	Photocopies		1,618
Bank Charges		20	Bank Charges		-
Translation		-	Translation		432
		26,225			15,068

¹ Based on EUR/USD exchange rate of 1.4193 as at 11 May, 2011

8. Next Steps

The JOLs have identified the following 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:

1. **Portuguese Litigation:** having challenged BPP SA's appropriation of Repos and Overdrafts and ensured the c. €99,4m, US\$2,7m and £0.11m of overdraft monies are held on trust, the JOLs consider that this process should be continued, despite the lack of funding available, in order to protect the interests of creditors. The JOLs also note further Portuguese legal obligations exist, including the need to make further submissions into the BPP SA liquidation process on behalf of the Company, and the resolution of the €20,9m and US\$0.8m held by BPP SA, referred to in Section 4.2 above and representing monies held on the Company's account. Clearly, in continuing these processes the JOLs are reliant on the continued support of their Portuguese counsel. The JOLs' Portuguese counsel, Mr Antonio de Matos, has been unavailable for much of 2011, due to ill health, however he is now back in practice and has assured the JOLs of his full support and availability going forward;
2. **Litigation Funding:** the JOLs will continue to meet with any creditors willing to provide funding. However, based on responses to our efforts to raise funding to date it is concluded that insufficient funding is available to bring new actions, either in the Cayman Islands or Portugal.
3. **Custody Assets:** in many cases custody asset claimants have been waiting for their assets since the BoP intervention in the BPP Group, in late 2008. The JOLs recognize the need to return such assets to their rightful owners and are pleased to note that their resolution process, as outlined in Section 4.3, is operating effectively. Although the JOLs' costs in conducting this work are not covered by the relatively low voluntary payments, this work will be continued for those relatively simple cases in which set-off issues do not arise. With respect to more complex cases, the JOLs propose to confine their actions to providing custody asset claimants with written confirmation that the Company has no interest in the relevant asset and advising the custodian, namely BPP SA, that the asset is unencumbered. However, in cases where custody asset claimants wish to voluntarily fund further work by the JOLs to investigate positions and realise custody assets on their behalf, the JOLs will provide these services on a time cost basis. Where assets are encumbered by a security interest and the claimant is unwilling to make a voluntary contribution toward costs, the JOLs will advise BoP of the position and request that they come to an agreement with the claimant in light of their purported ownership of the loan assets; and
4. **Creditor Communication:** to date, a significant portion of the JOLs' and their staffs' time has been spent in communications with creditors, both via formal creditor meetings and numerous ad hoc meetings and calls with individual creditors. In light of the lack of funding, the JOLs now must conclude that creditor communications must be handled on a group, rather than individual, basis, with monthly updates provided via the website and additional updates of significant developments

The JOLs have discussed and agreed the more cost effective approach with members of the Liquidation Committee, and the JOLs propose to advise creditors of this approach to the conducting the liquidation, outlined above, via the BPP Cayman website.

Next Steps

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

A handwritten signature in black ink, appearing to read 'Ian Stokoe', with a stylized flourish at the end.

Ian Stokoe

Joint Official Liquidator

Banco Privado Portugues (Cayman) Limited

Appendix 1 Circular to Custody Asset Claimants, dated 6 December 2010

EMAIL CIRCULAR - IN PORTUGUESE AND ENGLISH

Caro(a) Cliente,

Como referido no Primeiro Relatório dos Liquidatários Oficiais Conjuntos ('LOCs') do BPP Cayman aos Credores datado de 26 de Agosto de 2010, e na Segunda Reunião de Credores realizada no passado dia 12 de Novembro de 2010, a falta de fundos disponíveis para o BPP Cayman restringiu a capacidade dos LOCs de resolver as posições de activos sob custódia e de devolver os activos aos seus respectivos titulares.

Adicionalmente, como resultado da estrutura operacional do grupo bancário BPP ('Grupo BPP'), o controlo actual de todos os activos sob custódia de clientes do BPP Cayman permanece com o Banco Privado Português S.A. ('BPP SA'). Em concordância, os LOCs têm tentado obter o controlo destes activos ao BPP SA com vista ao cumprimento do seu papel de custodiantes. Até à data, os LOCs têm recebido informação limitada destas posições de activos sob custódia e foram avisados pelo BPP SA que este se encontra desde 23 de Julho de 2010 em processo de segregação e reconciliação de todas as posições antes de partilhar essa informação relevante.

No entanto, é entendimento dos LOCs que à presente data o BPP SA está preparado para providenciar aos JOLs uma lista dos activos sob custódia e sob o controlo do BPP SA, de forma a proceder à transferência de toda a responsabilidade respeitante aos activos para os LOCs. Os LOCs aguardam a confirmação formal do BPP SA de que os clientes com activos sob custódia no BPP Cayman não têm qualquer responsabilidade junto do BPP SA e, após confirmação do mesmo, os LOCs estarão na posição de resolver as reclamações de clientes com activos sob custódia no BPP Cayman.

Em conformidade, os LOCs identificaram a maneira que consideram ser a mais prática para lidar com estes activos e de forma mais expedita possível.

De maneira a investigar cada reclamação de activos sob custódia, os LOCs vão pedir um pagamento antecipado e voluntário a cada reclamante de activos sob custódia no montante de € 2.000. Este pagamento permitirá aos LOCs confirmar a identidade dos reclamantes com os registos do Banco, estabelecer a ligação com os restantes custodiantes e por último organizar a transferência dos activos sob custódia aos seus respectivos reclamantes.

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Tendo conduzido as investigações preliminares registadas supra:

- 1) Para todos os activos livres/sem qualquer ónus sob a nossa custódia, os LOCs irão formalmente instruir o BPP SA no sentido de proceder à transferência de imediato e sem qualquer demora; ou
- 2) Para os clientes com activos sob custódia que detenham depósitos, empréstimos ou descobertos bancários junto do BPP Cayman, a investigação destas outras posições, assim como direitos associados de compensação e contratos de garantias associados são passíveis de ser processos mais dispendiosos para os quais os LOCs não têm correntemente fundos disponíveis para prosseguir com tal investigação. No entanto, os LOCs notam que estas investigações dispendiosas podem ser evitadas se o reclamante dos activos sob custódia estiver disposto a liquidar todas as obrigações respeitantes ao BPP Cayman. Estas obrigações devem ser liquidadas de forma líquida de qualquer tipo de compensação legal possível entre depósitos e créditos similares, assim como balanços de empréstimos e descobertos. Como tal, nos casos em que os reclamantes dos activos sob custódia liquidem estas obrigações, os LOCs estarão em posição de proceder às transferências dos mesmos activos sob custódia sem a necessidade de investigações adicionais e mais detalhadas para além daquelas necessárias para estabelecer a titularidade dos activos subjacentes.

No caso dos reclamantes dos activos sob custódia não estarem disponíveis para proceder à liquidação das suas obrigações junto do BPP Cayman, ou responsabilidades remanescentes junto do BPP SA, os LOCs serão obrigados a realizar todas as investigações necessárias prévias às transferências dos activos sob custódia. Os LOCs estarão apenas preparados para conduzir estas investigações quando, e se, o estado da liquidação permitir o financiamento do custo deste trabalho.

Neste sentido, de maneira a prosseguir com a sua reclamação dos activos sob custódia, os LOCs pedem que providencie os detalhes sobre a sua reclamação de activos sob custódia ou outro empréstimos, depósitos ou posições a descoberto que possam ter com o BPP Cayman ou BPP SA no formulário em anexo, o qual deve ser enviado para o email bpp.cayman.inliquidation@pt.pwc.com.

Com os melhores cumprimentos,
Por e em nome de
Banco Privado Português (Cayman) Ltd (In Liquidation)



DRAFT CUSTODY CLAIMANT FORM PT.pdf

Dear Client,

As highlighted in the JOLs' First Report to Creditors dated 26 August 2010, and at the Second Creditors' Meeting, held on 12 November 2010, the lack of funds available to BPP Cayman has restricted the Joint Official Liquidators of BPP Cayman's ('JOLs') ability to resolve custody asset positions and to return assets to their rightful owners.

Further, as a result of the operational structure of the Banco Privado Português banking group ('BPP Group'), the actual control over all of the Company's client custody assets lies with the Company's parent, Banco Privado Português S.A. ('BPP SA'). Accordingly, the JOLs have been seeking to obtain control of these assets from BPP SA in order to fulfill the Company's custodial role. To date, the JOLs have received limited information on these custody asset positions and have been advised by BPP SA

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since 23 July 2010, that BPP SA is in the process of segregating and reconciling the positions prior to sharing the relevant information.

However, the JOLs now understand that BPP SA is now prepared to provide the JOLs with a list of the assets held in custody and under control of BPP SA in order to enable the transfer of all authority with respect to these assets to the JOLs. The JOLs are seeking corroboration from BPP SA that the Company's custody asset clients have no amounts due to BPP SA and, following receipt of this confirmation, the JOLs will be in a position to deal with the Company's client custody asset claims.

Accordingly, the JOLs have identified what they consider to be a practical means of dealing with these assets in the most expeditious manner possible.

In order to fund scrutiny of each particular custody claim, the JOLs will request an up-front, voluntary, payment from each custody asset claimant of EUR2,000. This payment will allow the JOLs to confirm the claimant identity to the Bank's records, liaise with the third party custodian and ultimately to arrange transfer of the custody assets to the claimant.

Having conducted the preliminary investigations noted above:

- 1) For all the unencumbered assets held in our custody, the JOLs will formally instruct BPP SA to effect the transfer without delay; or
- 2) For custody asset clients with deposit, loan or overdraft relationships with the Company, the investigation of these other positions, and associated rights of set-off and pledge arrangements are likely to be a costly process for which the JOLs currently have no funding. However, the JOLs note that these costly investigations may be avoided where the custody asset claimant is willing to settle any outstanding obligations due to BPP Cayman. Such obligations would be settled net of any statutory set-off available between deposits and similar credits and the loans and overdraft balances. As such, in cases where custody asset claimants settle these outstanding obligations the JOLs will be in a position to conclude the custody asset transfer without the need for further investigation beyond that required to establish title to the underlying assets.

Where custody asset claimants are not prepared to settle their obligations to the Company, or where debts remain outstanding to BPP SA, the JOLs will be obliged to carry out all necessary investigations prior to transfer of the custody assets. The JOLs will only be prepared to conduct these investigations when, and if, the liquidation estate secures funding to cover the cost of this work.

Accordingly, in order to progress your custody asset claim, the JOLs request that you provide details of your custody asset claim and any loan, deposit and overdraft positions you have with the Company or BPP SA on the attached form and return it to bpp.cayman.inliquidation@pt.pwc.com.

Best regards,
By and on behalf of
Banco Privado Português (Cayman) Ltd (In Liquidation)



DRAFT CUSTODY CLAIMANT FORM.pdf

Appendix 2 Minutes of First Creditors' Meeting, 26 August 2010

Banco Privado Portugues (Cayman) Limited ('BPP Cayman' or 'the Company') (in Official Liquidation)

Minutes of the First Meeting of Creditors

Date: 26 August 2010

Time: 2:00pm registration, meeting commenced 2:30pm

Location: SANA Lisboa Hotel situated at Av. Fontes Pereira de Melo, 8, Lisbon, Portugal

Agenda

1. Introduction
2. Summary presentation of the Creditors' report
3. Next Steps in the Liquidation
4. Liquidation Committee -- role and voting process
5. Summary in Portuguese
6. Questions and Answers
7. Voting for a Liquidation Committee

Presenters

Ian Stokoe, Joint Official Liquidator ('JOL') - PwC Cayman Islands ('IS')
 Vijay Chopra - PwC Portugal ('VC')
 Simon Conway - PwC Cayman Islands ('SC')
 Pedro Carneiro - PwC Portugal ('PC')

Antonio Andrade de Matos - AAA ('AM')

William Peake - Maples and Calder ('WP')

Minutes

1. Introduction.

PC addressed the assembly in Portuguese to both welcome all present and confirm that the meeting would primarily be held in English, followed by a summary in Portuguese, and opportunities to ask questions in English and Portuguese at the end of the meeting.

IS initiated the presentation by explaining the importance of the registration process, as a means of establishing creditors' proofs and proxies in order to ensure all those present had a valid interest in the liquidation and in order to ensure any voting for a Liquidation Committee is valid.

IS advised the Joint Official Liquidators ('JOLs') would shortly be applying to the Cayman Grand Court for an order appointing Mr Vijay Chopra as a third JOL.

IS explained that Cayman Islands liquidation proceedings are characterised by transparency and clarified the JOLs' duties as officers of the court, including the defense of the creditors' best interests and the investigation of all of the Company's affairs. The meeting was further advised of the JOLs intention to form a Liquidation Committee to act as a consultative body to assist the JOLs.

Before proceeding with the presentation, IS underlined the complexity of the BPP Cayman liquidation in light of the multi-jurisdictional nature and the intertwined financial and operational relationship between BPP SA and BPP Cayman.

It was further highlighted that the JOLs are heavily reliant on BPP SA's co-operation and that up until the present moment, despite the general co-operation of the BPP SA Liquidation Commission, there have been delays in obtaining key financial and operational information regarding BPP Cayman, largely as a result of resource constraints during the holiday period.

As such, and in order to expedite this process, creditors were invited to make use of the BPP Cayman website JOL contacts to pass on any relevant information in their possession to the JOLs.

IS also highlighted that information regarding the liquidation for the attention of creditors will be posted on the website, which will be the main means of communication between the JOLs and the creditors. This would include the minutes of this meeting.

2. Summary presentation of Creditors' report.

The JOLs' First Report to Creditors was then presented to the meeting, the JOL utilising the attached Creditors' Presentation (Appendix 1).

SC made a presentation on the BPP Group structure, provided a brief explanation of the relationship of the Company with the SIVs, and discussed the timeline of events leading from October 2008 to the liquidation, including a brief discussion of the purported Guarantee and purported Counter-Guarantee to the Portuguese State. He also discussed the formation and constitution of the FEI.

Regarding the financial position at 30 April 2010, IS clarified that the JOLs have been advised that substantially all of the assets included on the BPP Cayman balance sheet are purportedly pledged to the Portuguese State.

IS summarised the key historical transactions which had been identified for further investigation by the JOLs, namely:

- EUR450m refinancing of BPP SA;
- Depositor and Creditor Repayments;
- Establishment of the FEI and transfer of FEI Liabilities;
- Related party transactions; and
- Actions of Directors and Service providers.

In discussing the historical transactions noted above, IS emphasised that the JOLs have serious reservations regarding the validity of the purported Government Counter-Guarantee, as well as the purported transfer of FEI receivables to BPP SA, and that following investigation it may be appropriate to mount legal challenges.

IS advised creditors of the volume and complexity of the custody asset positions, including the estimated number of customers (320) and estimated overall value of custody assets (>EUR400m). IS referred to issues of incomplete documentation, cross collateral with the parent bank, and set-off issues. IS highlighted his intention to seek a pre-emptive costs order to fund the resolution of custody asset positions. He explained that while the costs of investigating title to custody assets might not be large in each individual case, the number of claims and the existence of pledges over the assets to both BPP Cayman and BPP SA mean that the total costs are likely to be significant.

IS advised that documentation relating to the application for a pre-emptive costs order would be placed on the website.

IS explained the limited extent of the funds currently available in the liquidation; that is, the € 610,557.50 of management fees received from Banif and highlighted that it was likely that additional funding would be required if the JOLs were to be able to pursue the investigations referred to earlier.

IS then went on to outline the proposed basis of remuneration for the JOLs and the process of two step fee approval, including the role of the Liquidation Committee and Grand Court in the approval process. Time costs accrued to date were presented to the meeting.

Next steps in the liquidation were then outlined, IS running through the points included on the slide entitled "next step" in the presentation at Appendix 1.

3. Liquidation Committee – role and voting process

IS then explained the role and responsibilities of the Liquidation Committee including confidentiality and independence requirements. The constitution of the Committee was discussed, including the requirement for a minimum of 3 and a maximum of 5 members. IS confirmed that it was the creditor and not the individual representing a creditor who would be the member of the Committee.

IS presented the confirmed nominees notified to him ahead of the meeting and invited any further nominees to make themselves known. Four additional nominees came forward. IS advised that a Liquidation Committee must be elected by the creditors, who would vote by reference to the value of their claims. However, if there were only 5 nominees, it would be possible for a resolution to appoint the committee to be passed by a simple show of hands.

IS invited the nominees to hold a private meeting in which to discuss whether a consensual decision might be reached as to the nominees wishing to stand.

4. Summary in Portuguese.

Whilst this meeting took place, PC presented a brief summary of the presentation in Portuguese.

5. Voting for the Liquidation Committee;

In their separate meeting, the Liquidation Committee nominees agreed to maintain the initial list of candidates composed of the following:

1. Challenger II, SA;
2. Elle Ventures LLC;
3. Planner World Trading Limited;
4. Mr. José Carlos Matias Serra;
5. Vida Finance LLC.

The other nominees confirmed they were withdrawing. IS proposed a resolution that the five nominees detailed above form the Liquidation Committee and this request was repeated in Portuguese. By a show of hands, this resolution was duly passed, all bar one creditor present voting in favor.

6. Questions and Answers

Q: Will the BPP Cayman's Clients benefit from the Government Deposit Guarantee? What happened to the deposits after the intervention of BPP in April 2010?

A: Regarding deposit guarantees, the JOLs understand that deposits remaining in BPP Cayman will not be covered. Regarding deposits made post intervention, at this stage the JOL's have no information but will further investigate this question.

Q: Regarding the FEI, will cash be distributed to Clients directly or through BPP Cayman?

A: The JOLs understand that so far, money has been distributed from the FEI into the custody of BPP SA. The JOLs are attempting to have money relating to BPP Cayman clients transferred to their control and will consider whether it is possible or desirable to change the existing distribution arrangements.

Q: Creditors are concerned about JOLs' fees, because there is no money to fund the potential litigation commenced by the JOLs.

A: This will be the first issue to be considered with the Liquidation Committee.

Q: Creditors are also concerned about the costs of motions/legal actions which might amount to approximately 5M EUR that are necessary to challenge BoP and the Portuguese State.

A: The JOLs will look first for non-pledged assets to fund those legal actions. It is acknowledged that funding is currently the critical issue in the liquidation and the JOLs made clear that it might be necessary to look to the creditors to provide funding. On a show of hands, approximately one third of those present indicated they might be prepared to provide some element of funding.

Q: Are the EUR217 million of assets that were transferred from BPP Cayman to BPP SA reflected on the Balance Sheet?

A: No, the transfer was conducted prior to the balance sheet date, with the corresponding entry being an adjustment to the intercompany balance. IS provided a brief explanation of what he understood to have occurred when the FEI was established, expanding on what he had explained earlier.

At this point, Mr. Jorge Neto – legal representative of one of the Liquidation Committee's members – took the floor requesting the JOLs to concentrate their efforts on challenging the Guarantee and the purported Counter-Guarantee granted to the State.

Mr Neto opined that the loan was granted under the pretext that it was needed to solve BPP SA's financial problems (i.e. to pay off major institutions such as JP Morgan) but it was actually used to pay small entities such as Caixa de Crédito Agrícola which were exposed by their deposits in BPP SA. Mr Neto further commented that in his view, BPP Cayman received no benefit from the loan, and hence there was no reason to grant the purported counter-guarantee to the Portuguese State.

Mr Neto then asked if the loan is subject to EU rules and if it is valid under EU rules. He also underlined that legal action must be taken immediately and that proactive action is needed.

IS advised that the JOLs share all of Mr Neto's concerns and that they are aware of the EU Commission decision on the subject which was to declare the State support illegal.

Q: Have JOLs considered legal actions against BPP SA?

A: All possible actions/proceedings are being considered.

Q: How will Creditors be informed of what is being discussed/decided at the Liquidation Committee meetings?

A: Up dates and information will be available on BPP Cayman's website. Additionally, the JOL's report to the Grand Court must be filed within 6 months of their appointment and this will be made available to all creditors.

Q: Will BPP Cayman Clients benefit from the Portuguese State Deposit Guarantee?

A: The JOLs' current understanding is that BPP Cayman clients will not benefit from the Portuguese State Guarantee, with the exception of FEI's Clients, to the extent that there is a shortfall against the assessed value of their FEI Units relative to the valuation on inception, and up to a maximum of EUR250,000.

Q: How does voidable preference law work as a matter of Cayman Islands law?

A: IS noted that it appeared to be similar to Portuguese voidable preference law and WP outlined the mechanics of section 145 of the Companies Law.

There being no further matters to discuss, IS thanked all creditors for attending and contributing to a long meeting, which was closed at 18.20 p.m.

ID Stokoe

Joint Official Liquidator – Banco Privado Portugues (Cayman) Ltd

Appendix 3 Minutes of Second Creditors' Meeting, 12 November 2010

Banco Privado Português (Cayman) Limited ("BPP Cayman" or "the Company") (In official Liquidation)

Minutes of the Second Meeting of Creditors

The second BPP CAYMAN Creditor's Meeting was held on November 12, 2010, 15.30 PM, at SANA Metropolitan Hotel situated at Rua Soeiro Pereira Gomes, Parcela 2, Entrecampos, Lisbon, Portugal.

Agenda

1. Introduction;
2. Conduct of the Liquidation:
 - a. Main investigations and findings;
 - b. Next steps.
3. Liquidation Strategy:
 - a. Judicial Proceedings;
 - b. Custodial Assets.
4. Funding of the Liquidation:
 - a. Fee Estimation;
 - b. Potential contribution of the Creditors.
5. Q&A.

Presenters

Vijay Chopra, Joint Official Liquidator ("JOL") – PwC Portugal ("VC")
Pedro Carneiro – PwC Portugal ("PC")
Cláudia Parente – PwC Portugal ("CP")
António Andrade Matos – Portuguese legal counsel of the JOLs ("AM")

Order of the Meeting

1. Introduction

PC welcomed the creditors and introduced VC as the JOL in Portugal, AM as the JOLs' Portuguese legal counsel and CP as the joint leader of the work performed in Portugal. PC then proceeded to inform the Creditors that the meeting would be held primarily in Portuguese.

VC provided a brief presentation on the status of the liquidation and the related funding constraints and noted that given the circumstances of the liquidation the Creditors' frustration was understandable.

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VC made a brief reference to the matters to would later be discussed in further detail, namely:

- (i) The limited success of the conversations held with the Liquidation Commission ("LC") of Banco Privado Português, SA (Em Liquidação) ("BPP SA") to date;
- (ii) The views of the Joint Official Liquidators ("JOLs") on the basis for challenging the validity of the purported pledge granted to the Portuguese Republic;
- (iii) The unsuccessful attempts to meet with the Comissão de Mercados e Valores Mobiliários ("CMVM") and the LC on the matter of the FEI Repos and Overdrafts transferred to BPP SA.

2. Conduct of the Liquidation

CP initiated a presentation that would focus on the main investigations undertaken by the JOLs and their team, their findings and on the next steps of the liquidation.

a. Main investigations and findings of the JOLs

Before proceeding with the detailed presentation, CP underlined the fact that considering BPP Cayman had no own operational structure, the majority of the relevant documentation was held by BPP SA. This fact, along with the complex linked transactions between both entities and their clients, made it necessary to negotiate and sign confidentiality agreements, which originated some relevant delays.

CP further noted that the cooperation of BPP SA has been subject to the operational restrictions and limitations resulting from its own liquidation process. As a consequence, there were significant delays in the provision of requested documentation and a significant portion of this information still remained pending.

CP began by explaining that following a detailed analysis of the Company's asset base and of documentation relating to the pledge and counter guarantee agreements, conducted by the JOLs and their team (the "JOLs Team"), it was concluded that around 90% of BPP Cayman's assets are subject to the purported pledge, and that most of the remaining assets relate to amounts due from the parent company – BPP SA –, which have a limited realistic prospect of realisation.

CP added that the JOLs have sent a letter to the Bank of Portugal ("BoP") stating their position regarding the validity of the counter guarantee and that no response had been received to date.

As to the Repo and Overdraft balances purportedly transferred to BPP SA following the establishment of the Fundo de Gestão Passiva – Fundo Especial de Investimento Fechado ("FEI"), CP informed that the JOLs Team analysed all the relevant documentation provided by BPP SA in this respect, including the FEI prospectus and the implementation agreement, and found no basis to conclude such purported transactions to be valid.

CP further detailed that the JOLs opinions were sustained on the fact that:

- (i) no documentation providing title for the purported transfer and specifically no BPP Cayman resolutions supporting that transaction were identified;
- (ii) the FEI Prospectus clearly mentions BPP Cayman as the creditor of those assets and;
- (iii) On maturity of the original Repo contracts BPP Cayman received no payment from the FEI.

CP highlighted that the JOLs have communicated their position both to BANIF – Gestão de Activos, SA, ("BANIF") - as the management company of the FEI - and BPP SA, claiming the ownership of these assets. Reference was also made to the proposed meeting between these parties and CMVM, which would be ultimately declined by both BPP SA and CMVM.

With regard to custody assets, CP highlighted that progress of was dependent on the cooperation of the LC which had been far from satisfactory in this respect. It was explained that due to the previously mentioned common operational structure of the BPP Group, all custody assets were effectively controlled by BPP SA and, as such, there was the need to identify and segregate all of BPP Cayman related assets.

Considering that, despite the efforts of the JOLs Team, that information had not been provided to that date, the JOLs remained unable to liaise with the ultimate custodians and directly deal with the received custody asset release requests.

On a final note, CP made reference to the fact that the JOLs had been made aware that BPP SA held circa €20m of cash received on behalf of BPP Cayman corresponding to liquidity of Absolute Return Investment Vehicles ("SIVs"). It was further explained that the JOLs believe this liquidity should be handed over to them in their capacity of investment managers and beneficial owners of the SIVs, in order to have it analysed and transferred to the rightful beneficiaries.

It was further added, that the JOLs have requested from BPP SA a set of information related to the SIVs - such as a list of all SIVs under BPP Cayman management, signed management agreements, fiduciaries' contacts and prospectus and financial information – which, at that stage in the liquidation had not been received.

b. Next steps:

Based on the presented conclusions, PC summarised the JOLs' views that:

- i. there were relevant bases to challenge the purported counter guarantee;
- ii. there were relevant bases to challenge the transfer of the FEI Repo and Overdraft receivables;
- iii. there was a need to address the assets held in custody.

PC also highlighted the existing funding restrictions and the need to obtain funding in order to proceed with the envisaged strategy of the liquidation.

3. Liquidation Strategy

AM then broadly explained the envisaged judicial strategy.

a. Judicial Proceedings

Based on the documentation obtained to date and the legal analyses performed, AM referred that there was a basis to challenge (i) the pledge granted to the Portuguese State and (ii) the transfer of credits arising from the FEI Repos and Overdrafts from BPP Cayman to BPP SA.

AM explained that both transactions should be challenged before the Cayman Islands courts, particularly taking into consideration that, under a Cayman Island jurisdiction, the proposed judicial proceedings are not expected to take more than two and a half years, including appeals.

AM further detailed that in order to successfully challenge the counter-guarante, among other actions, it would be necessary to demonstrate (i) that BPP Cayman directors violated their fiduciary duties, and (ii) that the relevant entities, i.e. BPP SA, BoP, etc., were aware of such violation.

Similarly, AM explained that in order to successfully challenge the purported transfer of the credits arising from the FEI Repos and Overdrafts from BPP Cayman to BPP SA, it would be necessary to demonstrate the ownership of those receivables, being noted that regardless of the several requests made to date, no documentation has been provided evidencing BPP SA's entitlement to those assets.

It was further added that even if BPP SA were able to provide supporting documentation to this transfer, considering it occurred within 6 months of the beginning of the liquidation, it could be eventually challenged and considered as being a preference under Cayman Islands' Law.

AM also noted that the JOLs may consider a third judicial proceeding seeking compensation from BPP SA and its directors, the Portuguese State and BoP, which may all be found civilly responsible regarding the pledge in accordance with Cayman Islands' Law.

b. Custody Assets

PC proceeded to explain that following the initial investigations, the JOLs were able to identify *circa* 320 clients with custody assets held by the Company, valued at *circa* €400m. Special note was made to the units of the FEI and to the fact that the JOLs were aware that these were generating regular distributions.

PC noted that due to the previously mentioned restrictions and limitations resulting from the BPP group structure and the lack of cooperation of BPP SA in this respect, the JOLs were not able to conclude the investigations and proceed with the transfer of the assets to the clients.

Further note was made to the fact that due to the complex nature of the commercial relationships between the clients (and their custody assets) BPP Cayman and BPP SA this matter would have to be handled on a *case by case* basis, making it a complex and slow process, for which there was no funding available.

Considering the above mentioned restrictions, PC advised the creditors that there were three possibilities:

1. If creditors are willing to fund the liquidation as proposed, the JOLs would be able to satisfactorily complete all the necessary investigations and return the custody assets to its rightful beneficiaries; or
2. If no funding was obtained, each client/creditor might be obliged to solve the situation directly with the LC of BPP SA and with the custodian counterparty;
3. Alternatively, clients/creditors could voluntarily finance the analysis JOL's Team on an individual basis so that they resolve each custody asset claim with the LC of BPP SA and the custodian counterparty on their behalf.

At this point, VC stated that the JOLs and the Creditors stood at a crossroad, as the continuation of the liquidation under the terms of the proposed strategy would be dependent on successfully obtaining funding. VC also noted that even though the JOLs were confident the proposed strategy was the best course of action, it would necessarily involve some level of uncertainty and risk which potential funders should also be aware of.

Manuel Magalhães ("MM") - representative of BPP SA - interjected to explain the position of his client and reinforced the availability of the LC of BPP SA to cooperate. He further noted that the LC does not

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consider the FEI Repos to be a BPP Cayman asset and that the amounts received by BPP SA to date related to those Repos are not being used to fund the liquidation of BPP SA.

MM also noted that the pledge agreement between the Portuguese Republic and BPP SA had been entered into by the management preceding the liquidation of BPP SA, and that the LC of BPP SA had no responsibility for that specific agreement.

CP addressed the creditors and noted that the "cooperation" shown by the LC of BPP SA to date had been limited as, despite being bound by law to provide all the requested information, a significant part was still pending. Further reference was also made to the unavailability of the the LC to meet with both the JOLs and CMVM to discuss a possible solution on the Repos and Overdrafts transactions.

At this point, AM also intervened to answer to some of MM's queries by explaining that according to the analysis performed, the Cayman Islands were an appropriate jurisdiction to pursue the proposed legal proceedings.

4. Funding of the Liquidation;

a. Fee Estimation

AM proceeded to explain that the estimated funding requirements for the remainder of the liquidation could be divided into two main categories: (i) the estimated litigation costs and (ii) the costs relating to the work of the JOLs and their team.

AM noted that the most significant part of the funding required corresponded to the costs associated to the proposed legal actions in the Cayman Islands, which had been estimated by the Cayman legal team in between €1.5m to €2.5m, costs with additional security for costs of €1m per defendant being necessary to guarantee the counter-party's legal expenses.

PC added that the cost of the work of the JOLs and their team for the remainder of the liquidation had been estimated in circa €1.5m. Further note was also made to the fact that contributions from creditors should also cover the unfunded work performed to date, estimated at circa €300k.

PC then summarised that the JOLs estimated a total amount of circa €5m in order to proceed with the proposed liquidation and litigation strategy. Additional reference was made to the fact that even though the potential recovery from the judicial claim is substantial there are no unencumbered assets to initiate and support any judicial claim, making the contributions of the creditors fundamental for the success of the liquidation.

PC explained to the Creditors that according to Cayman Islands law any contributions to fund the liquidation would be given a priority claim over realisations.

b. Potential contribution of the Creditors

PC stated that each creditor should decide freely and in conscience on such matter; He further highlighted that the amount required from each creditor would depend on the number of creditors that fund the proceedings.

The meeting was advised that any creditors willing to fund the liquidation and judicial proceedings should contact the JOL's Team within 21 days.

5. Questions and Answers

Creditors were then invited to present their questions to the JOL's Team and/or legal counsels and the following additional clarifications were provided:

Regarding the enforceability of a favourable decision of the court of Cayman Islands, AM noted that it could be enforced in Portugal. Moreover it was highlighted that there are certain mechanisms that allow for the decision be enforced and the corresponding assets being retained: *e.g.*:

- Asking the Portuguese courts to Review and confirm the Cayman Islands court judgment recognising the insolvency of BPP Cayman in order to make that decision enforceable in Portugal.
- Additional mechanisms that may be used but that should only be discussed and divulged to the creditors that wish to fund the liquidation and judicial proceedings.

As for jurisdiction, AM explained that the Portuguese Courts have not been excluded. Simply, it is a fact that Cayman Islands Courts would also have jurisdiction, and that litigation proceedings held before such Courts would be more beneficial to the creditors.

Following a specific query by MM, PC explained that the LC of BPP SA had transferred €2.5m to BPP Cayman, but these amounts are purportedly subject to the counter guarantee agreement with the Portuguese State. PC further explained that these values were paid in respect of the SIVs' Overdrafts due to BPP Cayman.

As to the FEI receivables PC explained that there are two different receivables: (i) an amount of *circa* €117m related to Repo contracts; and (ii) another amount concerning the Overdrafts amounting to *circa* €105m.

It was further added that the JOL's Team contacted BANIF in order to inform them of their concerns and requested them to refrain from paying BPP SA until any dispute be resolved. BANIF was willing to meet with the JOL's Team and with BPP SA but the latter decided that the meeting would not be worthwhile and hence declined it. Further note was made to the fact that the CMVM was not available to attend this meeting.

Regarding the counter guarantee agreement, AM informed that the JOL's Team had contacted the BoP in order to propose the creation of an escrow account for any amount received by BoP in relation to BPP Cayman's assets; however, no reply had been received to date. It was further noted that the BoP informed the JOLs of having received some 4 thousand Euros from clients relating to the repayment of amounts owed to BPP Cayman.

Following other specific queries from creditors, AM explained that the documents the JOLs had had access to in respect of the purported counter-guarantee and other transactions entered into by BPP Cayman could not be made public, due to the confidential and commercially sensitive nature of the documents

Jorge Neto and Matias Serra – both representatives of members of the Liquidation Committee of BPP Cayman – each made a brief statement summarising the strategy presented and explaining their views on the conduct of the liquidation to date and the funding process.

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At this point VC proposed convening a specific meeting with the creditors that are willing and available to fund the liquidation and judicial processes where additional and detailed information on the proposed legal strategy could be provided. VC noted this meeting would be subject to having a minimum number of funders and with a reasonable prospect of providing the required funding amount.

There being no further matters to discuss, the meeting was closed at 18.30 pm. And the present minutes were prepared.

Appendix 4 Summary of JOLs fee for the period 9 July 2010 to 28 February 2011

Banco Privado Portugués (Cayman) Limited (In Liquidation)
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Analysis of time costs for the period from 9 July 2010 to 28 February 2011

Category	Partner		Senior Manager		Manager		Corporate Consultant		Total	
	Time	Total C	Time	Total C	Time	Total C	Time	Total C	Time	Total C
1 Appointment of JOLs, job acceptance, billing & doc management	15.0	9,000	3.0	900	8.9	2,670	23.5	3,525	50.4	16,095
2 Statutory requirements - inc statutory filings and website	-	-	6.0	1,800	6.0	1,800	-	-	12.0	3,600
3 Statutory requirements - inc creditors meeting, review of claims, minutes and preparing reports	134.3	80,550	36.0	10,785	84.0	25,305	216.5	32,475	362.0	77,625
4 Strategy, project management & legal analysis & support	25.8	15,450	46.2	13,860	124.8	37,425	59.0	8,350	334.2	136,185
5 Communication - creditors and investors	13.3	7,950	103.1	30,915	142.5	42,750	389.0	58,350	668.3	147,465
6 Communication - BPP SA	-	-	55.5	16,650	58.8	17,640	5.0	750	134.6	44,990
7 Communication - Directors	-	-	43.5	13,050	30.0	9,000	32.0	4,800	92.8	23,040
8 Communication - Custodians	-	-	0.2	45	0.3	75	-	-	0.4	120
9 Communication - Other parties (BANIF, BOP)	-	-	12.1	3,630	23.3	6,975	-	-	35.4	10,605
10 Liquidation committee correspondence, meetings and reporting	12.8	7,650	43.4	13,005	59.9	17,955	2.0	300	118.0	38,910
11 Rehabilitation of custody assets	-	-	29.5	8,850	34.0	10,200	130.0	19,500	193.5	58,550
12 Investigation	-	-	69.7	20,910	56.5	16,950	198.0	29,700	324.2	67,560
13 Cash Management	-	-	-	-	2.5	750	1.0	150	3.5	900
14 Translations and review of translations	-	-	15.0	4,500	35.4	10,605	198.5	29,775	248.9	44,880
	216.0	129,600	437.0	137,100	654.3	196,350	300	43,675	1,552.0	646,725

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Banco Privado Português (Cayman) Limited (In Liquidation)
 PwC Cayman
 Analysis of Time costs for the period from 9 July 2010 to 28 February 2011

Category	Partners		Directors		Senior Manager		Manager		Senior Accountant		Staff Accountant		Total	
	Time	Ave.	Time	Ave.	Time	Ave.	Time	Ave.	Time	Ave.	Time	Ave.	Time	Ave.
1 Appointment of JOLs, job acceptance, meeting & date confirmation	0.30	881.00	5.30	3,074.00	16.30	8,060.00	500.00	1.00	622.50	596.00	19.55	3,128.00	63.45	50,970.50
2 Bankruptcy requirements - The creditors meeting, initiation and preparing reports	0.20	354.00	4.00	2,320.00	6.80	3,450.00	200.00	0.30	174.50	290.00	1.75	380.00	31.75	11,081.50
3 STRAP, project management & legal analysis & support	1.20	654.00	26.55	15,309.00	76.65	38,325.00	200.00	6.30	3,604.00	290.00	23.90	3,854.00	207.23	126,514.00
4 Communications - creditors and investors	0.20	124.00	7.40	4,510.00	19.00	9,500.00	300.00	0.30	207.50	290.00	0.30	33.00	30.70	30,354.00
5 Communications - Investors	0.20	134.00	0.60	348.00	0.30	150.00	300.00	0.30	207.50	290.00	0.30	33.00	30.70	16,785.00
6 Communications - Outlets	0.20	134.00	0.60	348.00	0.30	150.00	300.00	0.30	207.50	290.00	0.30	33.00	30.70	16,785.00
7 Communications - Other parties (BANK/BWP)	0.20	134.00	0.60	348.00	0.30	150.00	300.00	0.30	207.50	290.00	0.30	33.00	30.70	16,785.00
8 Liquidation committee correspondence, meetings and reporting	0.30	201.00	9.15	5,307.00	27.40	10,800.00	500.00	0.40	250.00	290.00	2.00	1,100.00	54.40	27,135.00
9 Assets realisation, Cash Management, Funding	0.40	248.00	17.75	10,225.00	31.10	15,700.00	500.00	0.30	1,350.00	290.00	1.00	350.00	54.40	27,135.00
	6.90	4,653.00	67.00	403,318	172,910	3,883,910	194,430,000	3,070	1,820,250	418,271	237,530	58,973,000	4,640	2,454,000
														403,653,140

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