

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

**Minutes of the Fifth Meeting of the Creditors of the Company
held by conference call**

18 December 2013, 3:00pm (Portuguese time) / 10:00 am (Cayman time)

PwC:	Representing:
Ian Stokoe	PwC Cayman and The Joint Official Liquidators (“JOL”)
Simon Conway	PwC Cayman and the JOLs
Jodi Jones	PwC Cayman and the JOLs
Carla Ribeiro	PwC Portugal and the JOLs
In attendance:	
Jorge Leitao	JOLs’ Portuguese Legal Counsel
Creditors:	The AT&T Teleconferencing Service Center confirmed there were 11 creditors present on the call.

Ian Stokoe welcomed those in attendance to the meeting and introduced Simon Conway as the Chairman of the Banco Privado Portugues (Cayman) Limited annual creditors’ meeting.

Simon Conway took the Chair of the meeting.

Introduction

- The Chairman welcomed everyone to the fifth creditors meeting.
- The Chairman advised the purpose of the call was to convene a statutory meeting of the creditors of the Company as required under Cayman Islands law, and provide an update on the liquidation since the last meeting held on 21 December 2012.
- The Chairman referred the attendees to the Joint Official Liquidators Seventh Report dated 18 September 2013 (the “Report”) which was circulated prior to the meeting and also placed on the liquidation website;
- The Chairman advised that the Report summarizes the actions taken by the Joint Official Liquidators (“JOLs”) over the past sixth months. The Chairman pointed out that there was also a previous Report issued in March 2013 which set out the JOLs actions for the six months ending March 2013.

Progress Report

The Chairman advised that the principal actions taken since over the past year have been dealing with Custody Assets, Negotiating Settlement Agreements for the Structured Investment Vehicles, and realization of loan receivables.

1. Custody Assets

- The Chairman advised that the JOLs continue to deal with custody assets claims; and
- Over the past year the JOLs have dealt with 83 new custody claims, and €9.8 million of assets have been transferred.

2. Ongoing Litigation

- The Chairman advised that the JOLs are involved in ongoing litigation relating to approximately €100m of Repo Overdraft Receivables.
- Parties to that litigation include the Portuguese State, BPP SA and Banif, the custodian for the Special Investment Fund.
- Details surrounding the ongoing litigation in Portugal have been covered during previous meetings. It is a complex case and the JOLs expect that it will remain ongoing for a number of years as that is the nature of litigation in Portugal, as the JOLs understand it, and particularly for cases such as this.
- The Chairman advised that the main developments in that area relate to a decision by one of the Portuguese Courts that the matter should be dealt with by the same court that is overseeing the liquidation of BPP SA.
- The Chairman advised that he understands the decision is under appeal, but the JOLs believe the ultimate effect on the JOLs claim and the strength of the JOLs arguments is minimal. The JOLs still believe they have very strong arguments that the Overdraft Receivables from the Special Investment Fund belong to BPP Cayman and are not pledged to the Portuguese State because the JOLs believe the pledge to be invalid for reasons discussed previously.

3. Negotiating Settlement Agreements

- The Chairman advised that as set out in the JOLs previous reports, there are segregated monies in the region of €22m held with BPP Cayman's parent bank, BPP SA, a small proportion of which was transferred to the BPP Cayman liquidation estate back in 2010. The remainder is being held on Trust with BPP SA.
- These monies relate to the realization of custody assets originally belonging to our clients, principally Structured Investment Vehicles ("SIVs").
- For a number of years the JOLs have been trying to negotiate a solution to resolve a fundamental dispute regarding those monies, namely that the JOLs believe those monies to belong to the insolvent estate of BPP Cayman. The JOLs are confident in the legal support for that position.

- The Chairman advised that earlier this year, the JOLs reached a proposed settlement. Following on from reaching a proposed settlement agreement the JOLs went through the process of seeking approval for that settlement agreement from the Grand Court of the Cayman Islands, in relation to two particular SIVs, VAR 3 and VAR 8.
- The JOLs also received the approval of the BPP Cayman Liquidation Committee and the directors of the SIVs.
- As a result, the settlement agreements were signed in July 2013.
- Those settlement agreements were subject to reaching the requisite approval from a requisite number of the SIVs underlying note holders. Over the following two months the JOLs received the required 75% of note holders' approval and those agreements have been finalised.
- As a result of the agreements being finalised, 25% of those monies previously held on trust have been distributed to BPP Cayman and the remaining 75% has either been transferred to the respective note holders, or where those clients have not approved the deal, those monies are being held on trust by BPP SA. In instances where the note holder owed money to BPP Cayman, any amounts to be received by those note holders as a result of the settlement was firstly applied towards debt settlement.
- Debt repayments are also being held on trust by BPP SA.
- The Chairman advised that going forward the JOLs have prospective sanction from the Cayman Court to enter settlement agreements on similar terms with other SIVs.
- As a result of the VAR 3 and VAR 8 settlements, the JOLs have dealt with approximately €8m out of the €22m available.
- The Chairman advised that the JOLs are continuing to move forward with one off clients and some of the smaller SIVs, and confirmed that the JOLs are happy to enter into settlement agreements with other clients as requested.
- With regard to the larger SIVs that have numerous note holders, the JOLs are continuing to work through those in order of size, and the documents setting out the terms of the settlement agreement for Gazprom 4, the next largest SIV, are currently being finalised by BPP SA.
- The JOLs are hopeful that they will move forward with a resolution of that agreement early in the New Year.

4. Joint Official Liquidators Fees

- The Chairman advised that the Report circulated and placed on the website sets out the JOLs time cost for the sixth month period to 31 August 2013.
- For each six monthly period the JOLs are required to seek the sanction of the Liquidation Committee for the JOLs fees. Following the Liquidation Committee's response, the JOLs must also receive the sanction of the Cayman Islands Court.
- The Chairman pointed out that, with regard to the most recent request for fee approval, as a result of an administrative oversight on the part of the JOLs, \$85K of fees was omitted from that analysis. As a result, the JOLs will be obliged to go back to the

Liquidation Committee in advance of the next fee hearing in March 2014 and seek their response on the fees that were omitted and also seek the approval of the Cayman Islands Court. The JOLs wanted to take this opportunity to also advise creditors of this oversight.

- The Chairman pointed out that the JOLs' fees for the six months to February 2013, for both PwC Cayman and PwC Portugal, total approximately US\$318k based on today's exchange rate. The JOLs fees that were approved for the six month period to August 2013 that were approved were far lower at approximately US\$230k at today's exchange rate. The omitted fees are therefore evident in the difference between those two six monthly sets of fees. The JOLs will be explaining this to the Court at the next hearing.

5. Discussions with the Portuguese State re Loan Book Collections

- The Chairman advised that the JOLs are attempting to seek cooperation from the Portuguese State in collecting the BPP Cayman loan book and distributing custody assets to BPP Cayman clients.
- The Chairman also advised, as creditors should already be aware, the JOLs are litigating against the Portuguese State and setting out their position that the Portuguese State's pledge over BPP Cayman's loan book is invalid. As said previously, it is expected that the litigation will take several years.
- In the interim, the JOLs feel it is very important to find a way of collecting in the loan book and distributing custody assets. In the absence of a collaborative approach between the JOLs and the Portuguese State, the JOLs feel there is a real risk that the value of the loan book will be severely diminished over the years.
- The JOLs recognize a prejudice to BPP Cayman clients in not dealing with the collection of the loan book and distribution of custody assets quickly as possible because many BPP Cayman clients hold substantial custody assets and in some cases would be very willing to repay their debts, particularly after the application of set-off. Therefore the JOLs are keen to make that option available to the clients.
- The JOLs have been in discussions with the Portuguese State for some years to develop a protocol for dealing with these matters.
- The Chairman advised that during his recent visit to Portugal in September he was able to attend a meeting with the Portuguese State and during that meeting an Escrow Agreement was discussed. The application of set-off was also discussed in detail.
- With regard to the Escrow Agreement, this is a proposed working arrangement whereby loan repayments would be made into an escrow account for the benefit of both BPP Cayman and the Portuguese State. Once the validity of the Portuguese State's pledge is determined by the court, the contents of the escrow account will be distributed to either BPP Cayman or to the Portuguese State if the JOLs are unsuccessful in their litigation.
- The Chairman confirmed that loan payments made into the escrow account will allow for the release of custody assets to clients.
- The Chairman pointed out that the JOLs have had an informal version of this agreement operating for the past year. Under the arrangement, the JOLs and the Portuguese State have agreed that BPP SA can collect repayments and hold them on a trust basis and following collection, allow for custody assets to be released.

- The JOLs main concern with the current arrangement relates to the position around set-off. In the vast majority of cases where clients owe money to BPP Cayman, under Cayman Islands Law, they also have a claim for set-off under which they would be able to apply any credit claims they have in the liquidation against the loan payable and reduce the amount they are required to pay before obtaining their custody assets.
- The JOLs feel the application of set-off is very important legally and is a right that is available to creditors of Cayman Islands companies.
- The JOLs also feel the application of set-off is important from a practical perspective because the JOLs recognize that it is highly unlikely that clients will make full loan repayments when under the Law they should have the option to apply set-off.
- The Chairman explained that the reason set-off has become a contentious issue is because the Portuguese State alleges they have a pledge over these loan amounts and they believe the loan book values can be repaid directly to them without any application of set-off.
- The Chairman advised that he feels his discussions with the Portuguese State were productive and the Chairman believes the Portuguese State understands the JOLs position.
- The Portuguese State has asked the JOLs to clarify their position in writing, and in particular, the elements of Cayman Islands Law that gives BPP Cayman clients the ability to apply set-off.
- The JOLs responded in early November to the Portuguese State's request for the JOLs position in writing and provided them with an explanation on set-off and the suggested amendments to the draft Escrow Agreement. The JOLs also suggested a protocol on how to work together to collect debts and release assets.
- The Chairman advised that the JOLs also obtained the Liquidation Committee's feedback before responding to the Portuguese State and that any agreement reached between the JOLs and the Portuguese State will need approval from the Cayman Court.
- The Chairman also advised that most of the easy custody asset cases have been dealt with and most of the remaining custody assets are locked up due to the question of the application of set-off which is why the JOLs are so keen to seek a solution.
- The JOLs are hopeful that they will have a response to their proposed protocol in the New Year.

The Chairman advised that he had covered all the main areas of update that he wanted to cover during the meeting and opened the meeting up for questions.

Q: Did you receive any feedback from the Portuguese State regarding the suggested protocol sent to them at the beginning of November?

A: To date the JOLs have not had any substantive feedback from the Portuguese State. The JOLs did follow up about one week ago and received a response from the Portuguese State that they are reviewing the JOLs proposal and they would respond shortly. Things tend to move slowly with any State and with the upcoming holiday period the JOLs hope to get feedback early in the New Year.

Q: During the meeting you had in September, did you have any clues as to whether or not the Portuguese was receptive to the JOLs suggested protocol?

A: On one hand the Portuguese State are definitely receptive to the idea of collecting in the loan book, to the extent that the Portuguese State actually took the JOLs proposals from about two years ago and captured them in a draft Escrow Agreement. So there is no doubt the Portuguese State is keen to cooperate. The real issue will be the application of set-off. The JOLs feel they have to insist on that issue because it is very important to BPP Cayman clients. The JOLs are hoping to find a route that will allow the Portuguese State to allow the JOLs to apply set-off and collect in the loans after having done so.

Q: If an agreement is reached with the Portuguese State to allow the JOLs to apply set-off as allowed under Cayman Islands Law, will creditors have to do anything to initiate the process of applying set-off, or will it be an automatic action on your part?

A: What we propose to do is, as soon as we have an agreement with the Portuguese State, write to all creditors who we believe this impacts and attach a form for completion setting their understanding of what they owe the bank, what claim they have to offset against that debt, what custody assets they believe they hold, and to confirm they are willing to settle their outstanding debt after application of set-off. We will process each case as we receive a response.

Q: I can understand with some clients that I represent who hold assets that are linked with both BPP Cayman and BPP SA, we can accept in those situations regarding the pledge need to be agreed with the Portuguese State. But regarding clients who are only linked with BPP Cayman, with absolutely no link with BPP SA, we cannot understand how the Portuguese State's pledge impacts the application of set-off, because if the Portuguese State wishes to pursue the client directly regarding the pledge they can do so. But putting everything on hold because of the pledge, we think there are two different situations. One situation is with clients only linked with BPP Cayman and the other with clients who are linked to both banks and have assets in both banks which is a more difficult situation which will need some input from the Portuguese State for settlement.

A: The problem that the JOLs of BPP Cayman have had from the outset is that the assets themselves are controlled by the parent bank, BPP SA. If the JOLs of BPP Cayman controlled the assets, the custody assets in particular, the JOLs would be comfortable in applying set-off. The JOLs would collect loan repayments after application of set-off and transfer the custody assets. The issue that the JOLs have is that the custody assets are controlled by BPP SA and they will not release custody assets, and in some ways understandably so, until they receive confirmation not only from ourselves, but also from the Portuguese State. The reason for their position is that they view BPP Cayman's loan book to be pledged to the Portuguese State and therefore they are only willing to transfer

a custody asset to a client once the Portuguese State confirms that the client's loan has been paid to their satisfaction. That is the fundamental problem that the JOLs of BPP Cayman have. The reason the Portuguese State believes it does not have to apply set-off is a matter of Portuguese Law as I understand it. It is their view that they can recover gross loan amounts. What the JOLs are trying to achieve now is a more collaborative solution where we agree that realistically the only way we are going to collect in the loan book is if we apply set-off under Cayman Islands Law and follow through that process with the collaboration of the Portuguese State. The question of control of the application of the pledge, the JOLs are challenging in the Portuguese Courts, but that is going to take years unfortunately. The JOLs do not feel we can wait that long.

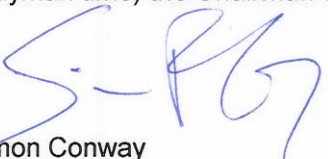
Q: That I can understand, but there are also particular clients who do not hold any custody assets in BPP SA, or even BPP Cayman, they just want to apply set-off. Putting those clients on hold waiting for a decision of the Portuguese State seems to me a bit far-fetched.

A: Perhaps I misunderstood your question. With regard to clients who want to repay their debt after application of set-off, the position of the BPP Cayman JOLs has always been that the repayment will be recognized and we will confirm it in writing. We will confirm BPP Cayman received a repayment of the debt, after application of set-off. That satisfies the requirements of BPP Cayman under Cayman Islands Law, but we have to state that is without prejudice to any claim of the Portuguese State. Generally we have found that clients are reluctant to make those repayments because it does not give them full and final settlement, but we are willing to accept them. I have to be clear with regards to Cayman Islands set-off it needs to be mutual dealings and needs to be pre liquidation. So, for set-off to be applicable, the relevant transactions have to had existed before the liquidation started and relate to a specific entity with counter balancing claims and amounts due.

Closing of meeting

The Chairman confirmed that, as always, he, Jodi Jones and the team are available for direct questions whenever needed and thanked the meeting participants for their time. The Chairman confirmed that progress updates would be provided, particularly if anything happens with the Portuguese State.

There being no further business, at approximately 3:30pm (Portuguese time) / 10:30am (Cayman time) the Chairman declared the meeting closed.


Simon Conway
Chairman