

By Email Only.

Copied to all known underlying investors who have registered a claim in the liquidation and also to be sent by the Trustee to all noteholders via the clearing system.

Citicorp Trustee Company Limited
Citigroup Centre
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Canary Wharf
London, E14 5LB
United Kingdom

12 November 2018

Dear Trustee,

Banif Finance Limited – In Official Liquidation (the “Company” or the “Issuer”)

As you are aware, I, Martin Trott, am the official liquidator of the Company, having been appointed by Order of the Grand Court of the Cayman Islands (the “**Grand Court**”) on 30 September 2017. Whilst I initially acted in a joint and several capacity, I currently act in a sole capacity following the resignation of Mr Chris Kennedy on 28 February 2018.

I write with regard to the liquidation of the Company and specifically to you in your capacity as the Trustee of the following outstanding notes:

ISIN X50280064204, Series 7 (the “**Undated Note**”);
ISIN X50280064469, Series 6; and
ISIN X50476077366, Series 10 (together with Series 6, the “**Dated Notes**”)
(Collectively the “**Notes**”)

This letter should be read in conjunction with the Issuer Notice dated 12 November 2018 and is intended to provide an overview of the current position and next steps regarding the Notes and the intended payment of an interim distribution from the liquidation.

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Update on the Liquidation Process and Potential for an Interim Distribution

As detailed in my Fourth and latest report to the Grand Court dated 20 March 2018, we have been successful in facilitating the recovery and transfer of Company cash deposits held at Santander SA, to Company accounts controlled by the Official Liquidator in Cayman. In total the amounts of €12.7 million and US\$994,000 were transferred.

Whilst I continue to investigate other potential recoveries and claims which the Company may have, given the substantial realisations which have been achieved to date, I have commenced the distribution process to eligible creditors.

Pursuant to Order 18 rule 7 the Cayman Islands Companies Winding Up Rules, 2018, a notice of intention to declare a full and final dividend to unsecured creditors, excluding those creditors who hold Notes (see below further details as to the order of priority in the liquidation), was published in both Portugal and the Cayman Islands and a deadline was set for the submission of claims by all such unsecured creditors.

The bar date expired on 16 April 2018 for the submission of claims for the final dividend to unsecured creditors. In total I received claims with a value of €1,018,199.78 of which €12,855.48 were accepted, €18,522.16 were rejected and €986,882.15 remains pending and subject to further adjudication.

Notwithstanding the further work which is required to complete the adjudication of unsecured creditor claims, there is a sufficient surplus of funds within the estate which will enable me to make an interim distribution to the eligible Notes during the first quarter of 2019.

For the avoidance of doubt any interim distribution to the Notes will be made after making provisions for both the pending adjudication of unsecured claims and the estimated future costs of the liquidation.

These future costs may include a reserve for the pursuit of any potential claims that are deemed to be in the interest of the creditors which is likely to require a provision for litigation funding.

Order of Priority

As detailed in the Second and Third Reports to the Grand Court, noteholders and unsecured creditors hold seniority to the preferred shareholders of the Company, who would then rank in priority to the ordinary shareholders.

All of the Notes issued by the Company are subordinated to the other unsecured creditors of the Company and hence the unsecured creditors have been adjudicated in the first instance and dividends paid to those accepted claims (there are no known secured creditors of the Company).

Having reviewed the various prospectuses and terms of the Notes issued by the Company, of the three outstanding notes currently due from the Company, the Undated Note (XS0280064204) is subordinated to

the two Dated Notes (XS0476077366 and XS0280064469) and therefore forms a separate class of subordinated creditor.

Consequently, the statutory order of priority for distributions from the estate, after deducting the costs of the liquidation and liquidators legal fees, will be as follows:

1. Unsecured creditors (adjudication commenced);
2. Dated Notes (XS0476077366 and XS0280064469);
3. Undated Notes (XS0280064204)¹;
4. Preferential Shareholders;
5. Ordinary Shareholders.

Further information regarding the specific terms and conditions which establish the order of priority and status of the Notes as outlined above, are detailed in the Issuer Notice dated 12 November 2018 which should be read in conjunction with this letter.

Illustrative Waterfall

As detailed previously, my investigations remain ongoing and therefore please note that the below waterfall, which shows the expected flow of funds from the realisations into the liquidation estate down the order of priority to the various classes of creditor, is illustrative only.

Nevertheless, at this stage it is clear to me that the recoveries into the estate are insufficient to meet all of the liabilities of the Company.

In accordance with the statutory order of priority, each class of creditor needs to be paid in full before funds flow to the next class of creditor and as such I expect the value to break with the Dated Notes, based on the current level of recoveries into the estate, as illustrated overleaf

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¹ Further investigation and legal opinion is required in order to clarify the status in the order of priority of the Undated Notes in an Event of Default where both the Issuer and Guarantor are both insolvent. We understand that Undated Notes may arguable be subordinated to all creditors of both the Issuer and Guarantor in certain scenarios. Nevertheless given there is unlikely to be a full repayment of the Dated Notes further clarification as to the status of the subordinated Undated Notes is not deemed to be an appropriate use of the creditors funds

DRAFT WATERFALL SUBJECT TO FURTHER REVISION		Amount
		€
Realisations to Date		13,550,000
Less: Liquidator Fees to Date	(590,000)	
Liquidator Costs & Legal Fees	(630,000)	
Future Liquidator Fees and Costs	TBC	
Net Funds Available For Unsecured Creditors		12,330,000
Admitted Unsecured Creditor Claims	(12,855)	
Pending Unsecured Creditor Claims	(986,882)	
Net Funds Available For Dated Notes		11,330,263
Dated Notes (Value Per Clearing System)	(118,442,000)	
Adjustment for Company held Dated Notes to be Cancelled ²	65,236,000	
Net Potential Dated Notes Claim	(53,206,000)	
Potential Shortfall to Dated Notes		(41,875,737)
Illustrative Potential recovery by Dated Notes before future costs of the liquidation (Cent in the EUR)		0.21

Given the projected shortfall to the Dated Notes, based on the current level of recoveries, no funds will be available for either the Undated Notes or Preferred Shareholders.

Eligibility to Claim

As you are aware, all Notes issued by the Company were done so via the global clearing system (the “**Clearing System**”) in accordance with the base prospectuses and final terms and conditions of the respective issuances by the Company.

The Trustee in accordance with the issuance documents of the Notes, is the only person entitled to issue a claim in the liquidation to enforce the provisions of the Notes against the Issuer, although the Trustee is not obliged to enforce the Notes unless they have been requested to do so in writing by the holders of not less than a quarter of the outstanding notes and indemnified and/or provided with security to its satisfaction.

In order to accelerate Note 10, which has yet to mature and is discussed further below the Trustee is also entitled to seek (i) to be directed by holders of not less than 20% of the principal amount outstanding of the Notes; and (ii) indemnified and/or provided with security to its satisfaction.

² The Company appears to hold Notes within the Clearing System (defined on the next page) and it is envisaged that these would be cancelled to ensure only third party noteholders received any future distributions from the liquidator.

Notwithstanding the above, whilst we have received claims from underlying beneficiaries I am advised that these claims are not valid and that any distribution should be made, in accordance with the prospectus documents via the Clearing System and duly appointed Trustee.

In order to progress the liquidation and to facilitate the payment of an interim distribution, I hereby request that the Trustee, in accordance with its rights and obligations under the respective issuance documents and deeds, submits a claim to me on behalf of all Dated Notes.

Acceleration & Claim

The Series 6 Note (XS0476077366) has matured and, as a consequence, is in default and as such I understand that the Trustee does not need to accelerate this note in order to make a claim in the liquidation on behalf of the underlying beneficial holders.

The Series 10 Note (XS0280064469) has not matured, however, following the Company being placed into official liquidation by the Grand Court in December 2016, an event of default has occurred and the Issuer has sent Notices of Event of Default to the Trustee.

I understand that the Trustee wishes to seek directions from the relevant noteholders, as it is entitled to do under the issuance documents and deeds, to accelerate the Series 10 Note and to make a claim in the liquidation for the Series 6 and Series 10 Notes. Further details with regards to the directions acceleration and claims process, together with details as to the specific terms and conditions which are being applied by the Trustee are detailed with in the Issuer Notice dated 12 November 2018 which accompany this letter.

I believe that not only is it a legal requirement under the relevant documentation for the Trustee to represent the underlying noteholders interests in the liquidation and to submit claims on their behalf, there are also significant costs saving and efficiency benefits to this process which will maximize returns to the creditors.

I would therefore encourage any underlying holders of Dated Notes copied to this letter, to instruct your custodian Bank holding your position to provide the Trustee with the necessary directions in order that they can proceed to claim on your behalf in the liquidation of the Company.

Should you have any queries concerning the content of this letter, please contact my colleague Owen Walker at OWalker@RHSWCaribbean.com or myself.



Martin Trott
Official Liquidator

The Official Liquidator acts as agent of the Company only and without personal liability