

This Notice is important and requires the immediate attention of beneficial holders of the Notes. If beneficial holders are in any doubt as to the action that they should take, they should seek their own financial and legal advice, including in respect of any tax consequences, immediately from their broker, solicitor, accountant or other independent financial, tax or legal adviser.

IMPORTANT NOTICE TO HOLDERS OF

Banif Finance, Ltd, In Official Liquidation (the "Issuer" or "Banif Finance")

Euro 50,000,000 Floating Rate Notes due December 2016 ("Series 6 Notes"):

ISIN XS0280064469

Euro 125,000,000 Perpetual Floating Rate Notes ("Series 7 Notes"):

ISIN XS0280064204

EUR 100,000,000 3 per cent. Dated Subordinated Notes due 2019 ("Series 10 Notes"):

ISIN XS0476077366,

**each guaranteed by Banif-Banco Internacional do Funchal, S.A., acting through its
Sucursal Financeira Exterior (External Financial Branch)**

under the Euro 2,500,000,000 Euro Medium Note Programme, (together, the "Notes")

1 Introduction

Reference is hereby made to the Euro Medium Term Note Programme (the "**Programme**") pursuant to which Banif Finance, Ltd (the "**Issuer**"), among other issuers a party thereto, issued notes:

- (i) in the case of the Series 6 Notes and the Series 7 Notes, constituted by an amended and restated trust deed dated 5 July 2006 (as amended, supplemented, modified or replaced from time to time) (the "**2006 Trust Deed**") and made among Banif - Banco Internacional do Funchal, S.A. ("**Banif**"), Banif Finance, Ltd ("**Banif Finance**") and Banif - Banco Internacional do Funchal, S.A., *Sucursal Financeira Exterior* (each, an "**Issuer**" and collectively the "**Issuers**"), Banif - Banco Internacional do Funchal, S.A., *Sucursal Financeira Exterior* (the "**Guarantor**") and Citicorp Trustee Company Limited, as trustee (the "**Trustee**");
- (ii) in the case of the Series 10 Notes, constituted by an amended and restated trust deed dated 16 December 2009 (as amended, supplemented, modified or replaced from time to time) (the "**2009 Trust Deed**" and, together with the 2006 Trust Deed, the "**Trust Deeds**") and made among Banif - Banco Internacional do Funchal, S.A. ("**Banif**"), Banif Finance, Ltd ("**Banif Finance**") and Banif - Banco Internacional do Funchal, S.A., *Sucursal Financeira Exterior* (each, an "**Issuer**" and collectively the "**Issuers**"), Banif - Banco Internacional do Funchal, S.A., *Sucursal Financeira Exterior* (the "**Guarantor**") and Citicorp Trustee Company Limited, as trustee (the "**Trustee**").

Reference is also made to the Final Terms among Banif Finance as the Issuer and the Guarantor:

- (a) dated 20 December 2006 in relation to the issue of Euro 50,000,000 Floating Rate Notes due December 2016 guaranteed by the Guarantor under the Programme (the "**Series 6 Notes**") and the terms and conditions attaching to the same (the "**Series 6 Conditions**");
- (b) dated 20 December 2006 in relation to the issue of Euro 125,000,000 Perpetual Floating Rate Notes guaranteed by the Guarantor under the Programme (the "**Series 7 Notes**") and the terms and conditions attaching to the same (the "**Series 7 Conditions**"); and

- (c) dated 30 December 2009 in relation to the issue of EUR 100,000,000 3 per cent. Dated Subordinated Notes due 2019 guaranteed by the Guarantor under the Euro 2,500,000,000 Euro Medium Term Note Programme (the "**Series 10 Notes**") and the terms and conditions attaching to the same (the "**Series 10 Conditions**", and together with the Series 6 Conditions and the Series 7 Conditions, the "**Conditions**").

Terms defined in the Trust Deeds shall have the same meaning when used in this Notice unless the context requires otherwise.

Reference is also made to:

- (i) the Notice to Holders of the Notes from the Trustee dated 12 November 2018;
- (ii) the Letter of the Official Liquidator in respect of the Issuer, dated 12 November 2018,

each accompanying this Notice of the Issuer.

We are hereby notifying you of certain events that have occurred in relation to the Notes, as described below, and of the consequence of these events for the Notes, given their subordinated status.

In accordance with the Final Terms for the relevant series of Notes, the Series 6 Notes and the Series 10 Notes are Dated Subordinated Notes and the Series 7 Notes are Undated Subordinated Notes.

2 Events of Default under the Notes

On 6 December 2016, the Issuer was placed into official liquidation by the Grand Court of the Cayman Islands (the "**Court Order**").

2.1 Series 6 Notes

The Series 6 Notes matured on 22 December 2006 and the Issuer failed to pay the Final Redemption Amount due on the Series 6 Notes on that date pursuant to Condition 10(a) (*Scheduled Redemption*) or to pay interest due on the Notes pursuant to Condition 7 (*Floating Rate note and Index-Linked Interest Note Provisions*). The Issuer has also failed to make such payments of principal and interest due in respect of the Notes within the grace periods specified by Condition 13(B)(i) and (ii) (*Events of Default relating to Subordinated Notes*).

Accordingly, an Event of Default has occurred pursuant to Condition 13(B)(i) and (ii) (*Events of Default relating to the Subordinated Notes*) in respect of the Series 6 Notes.

Please refer to the Notice from the Trustee dated 12 November 2018, which accompanies this Notice from the Issuer.

2.2 Series 7 Notes

Pursuant to Condition 13(B)(iii) (*Events of Default relating to Subordinated Notes*), an Event of Default shall have occurred with respect to any Subordinated Note, including the Series 7 Notes, if any order shall be made by any competent court or resolution passed for the winding-up or dissolution of the Issuer or the Guarantor (where the Issuer is Banif Finance) (other than for the purpose of an amalgamation, merger or reconstruction approved by the Trustee or by an Extraordinary Resolution of the Noteholders).

The Court Order referred to above which came into effect on 6 December 2016, therefore, constitutes an Event of Default pursuant to Condition 13(B)(iii) (*Events of Default relating to the Subordinated Notes*) in respect of the Series 7 Notes.

Please refer to paragraph 3.2 of this Notice, however, in relation to the subordination status of the Series 7 Notes.

2.3 Series 10 Notes

Pursuant to Condition 13(B)(iii) (*Events of Default relating to Subordinated Notes*), an Event of Default shall have occurred with respect to any Subordinated Note, including the Series 10 Notes, if any order shall be made by any competent court or resolution passed for the winding-up or dissolution of the Issuer or the Guarantor (where the Issuer is Banif Finance) (other than for the purpose of an amalgamation, merger or reconstruction approved by the Trustee or by an Extraordinary Resolution of the Noteholders).

The Court Order referred to above which came into effect on 6 December 2016, therefore, constitutes an Event of Default pursuant to Condition 13(B)(iii) (*Events of Default relating to the Subordinated Notes*) in respect of the Series 10 Notes.

2.4 Acceleration of the Series 7 and Series 10 Notes and Bank of Portugal approval

Under Condition 13(B), if an Event of Default occurs with respect of any Subordinated Note, then the Trustee at its discretion may, and if so requested in writing by the holders of not less than 20 per cent. in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the holders shall (subject in each case to the Trustee having been indemnified and/or secured to its satisfaction), give written notice to the Issuer declaring the Notes to be, whereupon they shall accordingly immediately become, immediately due and payable at their Early Termination Amount together with any accrued interest (as provided in the Trust Deed) without any further action or formality.

Condition 13(B) further provides that, notwithstanding the Trustee may have given notice that the Notes are immediately due and repayable, the Issuer may only redeem such Notes with the prior approval of the Bank of Portugal.

This requirement arises from the Portuguese regulatory capital requirements in respect of the regulatory capital status or the "own funds qualification" relating to the Notes, which provided that subordinated notes such as the Notes could only qualify as "own funds" or regulatory capital for Banif and its group companies if the terms and conditions for the relevant notes provided that redemption could only occur at the option of the Issuer and with the prior consent of the Bank of Portugal. The European Central Bank withdrew Banif's authorisation for the pursuit of banking activity on 22 May 2018 and Banif has subsequently commenced a judicial liquidation process. As a consequence of the withdrawal of Banif's banking authorisation, the Issuer has been advised that Banif and its group finance companies, such as Banif Finance Limited, have ceased to be under the obligation to comply with "own funds" or regulatory capital requirements and that, therefore, the requirement to seek Bank of Portugal consent prior to redeeming the Notes is no longer relevant and, as such, will not be requested by the Issuer.

Please refer to paragraph 3.2 of this Notice, however, in relation to the subordination status of the Series 7 Notes.

Please refer to the Notice from the Trustee dated 12 November 2018, which accompanies this Notice from the Issuer.

2.5 Enforcement in respect of the Series 6 Notes and the Series 10 Notes

Under Condition 18 (*Enforcement*) of the Notes, the Trustee may at any time, at its discretion and without notice, institute such proceedings as it thinks fit to enforce its rights under the Trust Deed in respect of the Notes, but it shall not be bound to do so unless:

- (a) it has been so requested in writing by the holders of at least one quarter in principal amount of the outstanding Notes or has been so directed by an Extraordinary Resolution; and
- (b) it has been indemnified and/or provided with security to its satisfaction.

Condition 18 (*Enforcement*) further provides that no Noteholder may proceed directly against the Issuer or, if applicable, the Guarantor.

Please refer to the Notice from the Trustee dated 12 November 2018, which accompanies this Notice from the Issuer, requesting: (i) directions from the holders of the relevant Series of Notes in respect of: (i) the acceleration of the Series 10 Notes; and (ii) the enforcement of the Series 6 Notes and the Series 10 Notes; and (ii) indemnification and/or security to its satisfaction.. Enforcement of the Series 6 Notes and the Series 10 Notes would be by way of a filing of a claim by the Trustee on behalf of itself and the holders of the Series 6 Notes and the Series 10 Notes in the liquidation of the Issuer.

3 Subordination status of the Notes

3.1 Series 6 Notes and Series 10 Notes: Dated Subordinated Notes

Pursuant to the Final Terms for each of the Series 6 Notes and the Series 10 Notes, the Series 6 Notes and the Series 10 Notes are Dated Subordinated Notes.

Condition 4 (c)(i) of the Notes provides that:

"Dated Subordinated Notes will constitute direct, unsecured, subordinated and unconditional obligations of the Issuer and will rank pari passu among themselves and at least pari passu with all other present and future dated subordinated obligations of the Issuer, save for those that have been accorded by law preferential rights.

In the event of the liquidation, bankruptcy or analogous proceedings of the Issuer, the claims of the holders of the Dated Subordinated Notes against the Issuer will be subordinated in right of payment to the claims of all other creditors (other than holders of Subordinated Indebtedness, if any) of the Issuer in the manner provided in the Trust Deed.

"Subordinated Indebtedness" means all the indebtedness of the Issuer under the terms of which the right to payment of the person(s) entitled thereto is, or is expressed to be, subordinated, in the event of the winding-up of the issuer, to the right of payment of the holder of Dated Subordinated Notes and so that for the purposes of this definition indebtedness shall include all liabilities, whether actual or contingent, under guarantees or indemnities."

The Series 6 Notes and the Series 10 Notes are, therefore, subordinated to all other creditors of the Issuer but rank *pari passu* among themselves and with each other.

3.2 Series 7 Notes: Undated Subordinated Notes

Pursuant to the Final Terms of the Series 7 Notes, the Series 7 Notes are Undated Subordinated Notes.

Condition 4(c)(ii) of the Notes provides that:

"Undated Subordinated Notes will constitute direct, unsecured, subordinated and unconditional obligations of the Issuer which are subordinated to the claims of the Senior Creditors of the Issuer and to the claims of the holders of the Dated Subordinated Notes in that payments are conditional upon the Issuer and the Guarantor being solvent at the time of payment and no such payment shall be made except to the extent that such payment could be made and the Issuer and the Guarantor would still be solvent immediately thereafter. For this purpose, each of the Issuer and the Guarantor shall be considered to be solvent if both (i) it is able to pay its debts to Senior Creditors as they fall due and (ii) its Assets exceed its Liabilities to its Senior Creditors...."

Condition 4(c)(ii) of the Notes goes on to provide that:

"A report as to solvency of the Issuer or the Guarantor as the case may be, by ... (b) if the Issuer or the Guarantor, as the case may be, is being wound up, its liquidator shall, in each case, in the absence of manifest error, be treated and accepted by the Issuer, the Guarantor, the Trustee and the holders of Undated Subordinated Notes as correct and sufficient evidence thereof. "

For the purposes of Condition 4(c)(ii) of the Notes:

- (A) In the case of Banif Finance, the term "**Assets**" is defined as meaning the total gross assets of Banif Finance and "**Liabilities**" means the total gross liabilities of Banif Finance, as shown by the latest published audited balance sheet of Banif Finance, in each case adjusted for contingencies and subsequent events in such manner and to such extent as such liquidator may determine to be appropriate.
- (B) "**Senior Creditors**" means creditors of the Issuer or, as the case may be, the Guarantor who (x) are depositors or other unsubordinated creditors of the Issuer or, as the case may be, the Guarantor or (y) are subordinated creditors of the Issuer or, as the case may be, the Guarantor other than those whose claims rank *pari passu* with or junior to the claims of the holders of Undated Subordinated Notes or (in respect of the Guarantor) persons entitled to claim under the Guarantee in respect of such Notes.

For these purposes, the Senior Creditors of the Issuer include the holders of the Series 6 Notes and the Series 10 Notes.

As evidenced in the report as to the solvency of the Issuer dated 12 November 2018, the Issuer is not considered to be solvent as (i) it is not able to pay its debts to its Senior Creditors as they fall due and (ii) its Liabilities to its Senior Creditors exceed its Assets. **On either of these two bases, the Series 7 Notes are subordinated to the Series 6 Notes and the Series 10 Notes and as the Liabilities of the Issuer exceed its Assets, no payments will be made in respect of the Series 7 Notes on any distribution of the assets in the liquidation of the Issuer.** For further information, please refer to the Letter from the Official Liquidator dated 12 November 2018 accompanying this Notice.

4 Status of the Guarantor

As previously noted, the European Central Bank withdrew Banif's authorisation for the pursuit of banking activity on 22 May 2018 and the Guarantor has subsequently commenced a judicial liquidation process in Portugal. Any further enquiries with regard to the status of this process should be directed to the court appointed liquidators of the Guarantor.

Electronic copies of the Trust Deeds, the Conditions to the Notes and the Final Terms relating to each Series of Notes, in PDF format, are available to Noteholders on request from the Official Liquidator

subject to the requesting Noteholder providing evidence of its holding in the Notes, to the satisfaction of the Official Liquidator.

If Noteholders have any questions in relation to this Notice, they may contact the Official Liquidator at the following email address jmcgrath@rhwcaribbean.com.

Banif Finance, Ltd - in Official Liquidation



Martin Trott

Official Liquidator – Banif Finance Limited (in Liquidation)

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

12 November 2018