

THE ENGLISH VERSION OF THE CIRCULAR NO. 6 IS PROVIDED FOR CONVENIENCE ONLY – IN CASE OF ANY DISCREPANCY BETWEEN THE ENGLISH VERSION AND THE ORIGINAL VERSION IN FRENCH, THE ORIGINAL VERSION IN FRENCH SHALL PREVAIL

Carrard Consulting SA

To the creditors of Banque Privée
Espírito Santo SA in liquidation

Lausanne, 29 March 2016

Banque Privée Espírito Santo SA in liquidation (BPES): Circular no. 6 for the attention of BPES creditors – status of liquidation operations at the end of 2015 and formation of a creditors' committee (article 15 OIB-FINMA)

Dear Sir or Madam,

The purpose of this circular is to present in a summary form to BPES creditors **the state of progress of liquidation operations** at the end of 2015. Its aim is to inform creditors about the major steps that have been undertaken by the liquidator as well as the main liquidation operations underway and to come. Its content cannot be exhaustive but is intended to inform creditors about the situation to date, in an effort to be transparent. The liquidator gives no guarantee as to the content of the information provided, for which the accuracy and veracity do not depend exclusively on the liquidator.

The purpose of this circular is also to enable the **formation of a creditors' committee** (*Gläubigerausschuss*; hereinafter the Creditors' Committee) such as defined in article 15 of the Ordinance of the Swiss Financial Market Supervisory Authority on the insolvency of banks and securities dealers (OIB-FINMA).

Creditors are reminded of the deadline of 28 April 2016 stipulated in Section 11b) of this circular.

This circular is sent by first-class mail to creditors. It is published on the liquidator's website. The website of the Swiss Financial Market Supervisory Authority (FINMA) and the Swiss Official Gazette of Commerce (FOSC) will also announce the publication of this circular.

I. State of progress of operations at the end of 2015

1. General situation

a) Appointment of Mr Daniel Staehelin as joint-head of the mandate

Mr Daniel Staehelin has joined Mr Jean-Luc Chenaux and Mr Frédéric Rochat as joint-head of the mandate and has been appointed director of Carrard Consulting SA, the liquidator, from February 2016.

Mr Daniel Staehelin is a partner at Kellerhals Carrard law firm in Basel (Switzerland). He is also a doctor of law and a lecturer in debt enforcement and insolvency law at the University of Basel.

b) Relocation of the offices of BPES and staff situation

As was announced by the liquidator in its circular at the end of 2014, the transfer of the lease for BPES's offices in Pully, Switzerland, took place, for the main part at the end of March 2015, and for the remainder of the premises on 31 December 2015, thus enabling a saving in rent of CHF 8 million for the benefit of the bankruptcy assets. The liquidation activities are now continuing in the offices of Carrard Consulting SA, in Lausanne, Switzerland, which host all of the employees of Carrard Consulting SA, the remaining employees of BPES as well as the employees of SR opérations SA (see below).

This move, particularly the relocation of the computer systems, took place under conditions ensuring, in particular, that the liquidation operations continue without interruption or notable disruption.

BPES remunerated 133 employees before the bankruptcy. All of the employees have not been taken over by the bankruptcy estate since only 83 employees were still remunerated by the bankruptcy estate on 25 October 2014, who have been gradually made redundant. The bankruptcy estate still remunerates four employees (under employment contracts, but for which relations have been terminated for the next contractual term) and three back-office resources (two resources only from April 2016) for transferring securities (through an outsourcing contract with SR opérations SA).

c) Computer and electronic data archiving services

After having compared several bids, the liquidator decided to entrust SR opérations SA, in Gland, Switzerland, with the supply of the following services:

- (i) IT assistance in relation to the banking activity carried out by BPES (maintenance of the bank computer systems), and this for a period stipulated up to 30 June 2016;

(ii) Electronic archiving of data pursuant to the legal and regulatory requirements.

The total cost for these services is approximately CHF 4.5 million spread out until the end of the liquidation.

2. Payment of privileged deposits

The payment of privileged deposits is a priority task of the liquidator according to the legislation.

The amount of the privileged deposits due as of 19 September 2014 totalled around CHF 19.7 million.

As of 31 December 2015, a total of CHF 16.8 million was transferred to the beneficiaries of privileged deposits, the balance due is mainly explained by the lack of payment instructions from beneficiaries or by sequestration measures announced by the prosecution services.

3. Transfer of segregated assets

On the date of the initiation of the bankruptcy, the total amount of securities deposited with BPES (AUM) totalled more than CHF 5.5 billion. Segregated assets concerning Espírito Santo group entities (particularly fiduciary deposits with these entities as well as the bonds and notes issued by these) should be distinguished from securities of other issuers.

The liquidator has a legal obligation to proceed with the transfer of segregated assets that are free from third-party claims or encumbrances and to continue their book-keeping. This activity has represented a very substantial task, generating over 10,000 letters or emails exchanged with the holders of securities. In addition, when the liquidator started its work it had to deal with an accumulated delay of around three months in the transfers of securities and the need to reconcile a significant number of transfers already made with bank counterparties.

At the end of 2015, over 90% of the positions concerning securities issued by companies outside of the Espírito Santo group had been transferred in accordance with instructions received.

The balance consists mainly in non-transferrable assets and securities on which the bankruptcy estate of BPES expects claims to be asserted.

In order to reduce the major costs related to the continuation of the banking activity, the securities for which no transfer instruction has been received have been sold (insofar as they are realizable) following a final notice from the liquidator.

The securities issued by Espírito Santo group entities have been the subject of limited transactions due to the difficulties encountered on the market to transfer or sell them. The liquidator focused its activity mainly on implementing methods enabling the holders of these securities to assert their claims with the bankrupt issuing companies.

4. Lodgement of claims in the Espírito Santo group companies

The liquidator has carried out in-depth investigations in order to determine the legal treatment of claims resulting from investments made by BPES on behalf of its former clients in Espírito Santo group companies, notably Espírito Santo International S.A. (ESI), Rio Forte Investments SA (Rio Forte), as well as ESFIL - Espírito Santo Financière S.A. (ESFIL) and Espírito Santo Financial Group S.A. (ESFG). These analyses were highly complex and undertaken with the assistance of a renowned professor in Swiss banking law and a law firm in Luxembourg. The steps undertaken to clarify the factual situation as well as the legal analyses now enable us to conclude that, in light of Swiss law and subject to certain exceptions, **it is the responsibility of former clients of BPES to directly assert their claims in the bankruptcies of the companies concerned, according to the modalities determined by the trustees and liquidators of the said companies with regard to Luxembourg law.** The documents that will be made available to the creditors by BPES in this context will be stated in a separate circular, which should in principle be published on the liquidation site (www.liquidator-bpes.ch) during April 2016, subject to the timely obtaining of information that is still missing from the trustees of the companies concerned.

The deadline for the lodgement of claims in ESI and Rio Forte has been extended to **30 June 2016**, whereas the liquidator of ESFIL and ESFG has confirmed to the liquidator of BPES that no lodgement deadline has yet been fixed for these two entities.

5. Assets available to the bankruptcy estate and realisation

The inventory of the assets available to the bankruptcy estate has been submitted to the BPES bodies for determination.

In a summary form, the following information can be communicated to the creditors:

- The liquidities available from the bankruptcy estate totalled CHF 65.7 million on 31 December 2015;
- Loans that are unsecured or secured by securities of group companies or securities outside the group, total CHF 122 million; an amount of approximately CHF 11 million has already been recovered or reimbursed;
- In addition to the sale of furniture that took place during 2014 for a total of CHF 500,000 as well as the sale of vehicles (see the liquidator's circular on this subject), furniture and works of art have been sold for an amount exceeding CHF 1 million during 2015;

- A BPES revocatory claim has been the subject of a settlement agreement with ES Bankers (Dubai) Limited (ESBD) for a total of USD 13 million, of which USD 5 million has already been collected for the bankruptcy assets of BPES, with the payment of the balance being guaranteed when the conditions stated in the transaction, related to the transfer of the securities to ESBD, will be fulfilled;
- *Nostr* securities and financial assets have been sold for close to CHF 8.5 million.

Once the decisions of the corporate bodies of BPES have been collected, the inventory of bankruptcy assets will be made available for consultation by the creditors under the conditions of article 5 OIB-FINMA on the consultation of the bankruptcy file.

Furthermore, the liquidator has also been able to collect proceeds from its liquidation activities, notably:

- CHF 540,000 have been collected from the branch in Portugal for services rendered by the head office from the initiation of the bankruptcy;
- Approximately CHF 240,000 have been collected for custody fees in respect of securities held by BPES for its former clients;
- Securities transfer fees and sale commissions are invoiced in order to cover the costs directly incurred by such transactions;
- Photocopies and sending of documents to former clients and to creditors are being billed from a certain threshold, also in order to cover costs.

6. State of classification of creditors in order of priority

To date, around 2,000 claims have been lodged for a gross total amount (before analysis of the validity and purging of multiple claims) exceeding CHF 2.7 billion (provisional figure).

The BPES corporate bodies have been called to give their opinion on the list of the claims lodged submitted to them.

To date, the liquidator has already analysed the first-class and second-class claims lodged and is still in the process of verifying third-class claims.

7. Costs deducted from the bankruptcy assets

The detailed breakdown of the costs deducted from the bankruptcy assets is sent monthly to FINMA. Pursuant to article 36 para. 2 OIB-FINMA, the final account is subject to the approval of FINMA at the end of the liquidation.

As of 31 January 2016, the costs deducted from the bankruptcy assets from the initiation of the bankruptcy totalled around CHF 22.1 million (without taking into consideration the liquidation proceeds collected from 19 September 2014).

The costs deducted from the bankruptcy assets have been incurred in order to carry out the liquidation operations themselves but also, in a very important measure (that the liquidator estimates at over 50% of the total costs), for the purposes of conserving the human, technical and IT resources to transfer the segregated assets to the former clients of BPES, the amount of which on the day of the bankruptcy exceeded CHF 5.5 billion, as well as the activities related to the holding of these assets (particularly the relations with and the reporting to the Swiss and foreign prosecution services, and civil and administrative authorities).

The costs deducted from the bankruptcy assets concern personnel costs (particularly the personnel with knowledge of the clients and the personal know-how required to make the payments of privileged deposits and the transfers of segregated securities stipulated by law), the premises and facilities costs, the costs related to technological and IT services (notably the continuation of the bank operating systems and their adaptation to the needs of the liquidation), as well as the liquidator's fees (i.e. all of the employees of Carrard Consulting SA) and third party agents. They are distributed as follows:

- Wages and personnel costs:	CHF 9.1 million
- Information/communication/technology:	CHF 3.0 million
- Premises and facilities costs:	CHF 2.0 million
- Carrard Consulting SA fees:	CHF 6.3 million
- External agents:	CHF 1.7 million
- Overheads:	<i>pm</i>
Total:	CHF 22.1 million

Appendix 1 sets out the change in the costs deducted from the bankruptcy assets from 19 September 2014. In this regard, we note that the reduction of costs is constant and in direct proportion (varying between 0.11 and 0.12%) to the value of the assets (outside the Espírito Santo group) still held by the bankruptcy estate.

8. Situation of the branch

The forced liquidation of the branch in Portugal was resolved on 21 September 2015 by the competent Portuguese authority. The liquidation is carried out independently by liquidators appointed and supervised by the Portuguese authorities pursuant to the applicable legislation in Portugal.

The lodgement of claims totalling €250 million has been registered in the bankruptcy of the branch following the call for creditors.

The verification procedures of the claims are underway by the liquidator appointed by the Portuguese authority to carry out the liquidation operations.

9. Next steps of the liquidation

The next steps of the liquidation are summarised below, subject to the difficulties that the liquidator could encounter in the accomplishment of its tasks.

In order to best carry out the operations set out below, and considering that the creditors and former clients of BPES have up to this date generally obtained answers specific to their requests, the liquidator will significantly reduce the exchanges with creditors and former clients of BPES and communicate with these mainly by circular.

Therefore, the liquidator plans to complete the following tasks during 2016:

- Formation of a creditors' committee (see Section II below);
- Verification of the claims and finalisation of the state of classification of creditors in order of priority;
- Publication of a realisation plan of the bankruptcy assets;
- Information to the creditors concerning the lodgement of claims in the companies of the Espírito Santo group;
- Exercising, respectively, assignment to creditors of revocatory claims;
- End of the banking activity related to the holding and transfer of the segregated securities;
- Start of decommissioning operations and archiving of the bank infrastructure.

10. Invitation to view the website

The liquidator publishes information on the BPES website, whose address is the following: www.liquidator-bpes.ch. We invite you to regularly visit this site to take into account such information.

II. Formation of a creditors' committee

It is recalled that the purpose of this circular is also to enable the formation of a creditors' committee (*Gläubigerausschuss*; hereinafter the Creditors' Committee) as defined in article 15 OIB-FINMA.

11. Composition of the Creditors' Committee

a) Representation of creditors

Pursuant to article 15 para. 1 OIB-FINMA, it is FINMA's responsibility to form the Creditors' Committee.

The Creditors' Committee will be composed of six members, who will be appointed by FINMA on the liquidator's proposal.

These six members will represent different categories of creditors, according to the following distribution:

Category 1 – 1st and 2nd class creditors

One member will represent creditors having lodged claims **in the first and second classes** (article 219 para. 4 of the Federal law on the prosecution for debts and bankruptcy [LP]) or for which the claim must be *ex lege* classified in one of these classes pursuant to article 26 para. 1 OIB-FINMA.

Category 2 – 3rd class creditors, non-clients of BPES

One member will represent the creditors (i) having lodged claims in the third class (article 219 para. 4 LP) or for which the claim must be *ex lege* classified in this class pursuant to article 26 para. 1 OIB-FINMA, and (ii) who were **not** account holders with BPES on initiation of the bankruptcy.

Category 3 – intra-group creditors

One member will represent the **companies of the Espírito Santo group** having lodged a claim in the bankruptcy of BPES or for which the claim must be *ex lege* classified pursuant to article 26 para. 1 OIB-FINMA.

Category 4 – 3rd class creditors asserting claims in relation to the financial products of the Espírito Santo group

Two members will represent the creditors having lodged claims in the third class and who claim **damages resulting from the securities** issued by companies of the Espírito Santo group (article 219 para. 4 LP).

Category 5 – 3rd class creditors not asserting claims in line with the financial products of the Espírito Santo group

One member will represent the creditors (i) having lodged claims in the third class (article 219 para. 4 LP) or for whom the claim must be *ex lege* classified in this class pursuant to article 26 para. 1 OIB-FINMA, and (ii) who were account holders with BPES on the initiation of the bankruptcy and who do not claim **damages resulting from the securities** issued by companies of the Espírito Santo group.

b) Proposal by the creditors

Each creditor is authorised, within a period up to 28 April 2016, to propose a representative for the category of creditors to which he/she belongs according to the distribution set out under letter a) **Error! Reference source not found.** above, and this by means of the form attached hereto as Appendix 2.

In the event that a creditor fulfils the conditions to be represented in several categories, he/she can only be represented in a single category and must therefore state for which category he/she wants to be represented.

Only the creditors having lodged a claim by the fixed deadline of 28 April 2016 will be authorised to propose a representative.

c) Description of the creditors' representative

The creditors' representative must be an individual capable of benefitting from, and exercising, civil rights within the meaning of Swiss legislation.

The creditors' representative does not need to be a creditor, with it being understood that each creditor is at liberty to put forward himself/herself as the representative of the category of creditors to which he/she belongs.

Members of the Creditors' Committee must understand French.

12. Powers of the Creditors' Committee

The tasks and powers of the Creditors' Committee are defined by FINMA (article 15 para. 1 OIB-FINMA). FINMA has determined them as follows:

- Supervising the administration of the bankruptcy, providing opinions when it will be so required and opposing any measure that it considers to be contrary to the creditors' interests;
- Authorising the continuation of the banking activity of BPES and setting out its conditions;
- Approving the accounts, authorising the administration of the bankruptcy (i.e., the liquidator) to plead, conclude settlements and agreements;
- Challenging the claims admitted by the administration of the bankruptcy;
- Authorising interim distributions during the liquidation;
- Being consulted on the liquidator's monthly fees.

13. Procedure for appointing members of the Creditors' Committee and regulations

At the end of the aforementioned proposal period up to 28 April 2016, the liquidator will draw up a list with the candidates proposed and will submit a proposal for a decision by FINMA for the composition of the Creditors' Committee. FINMA will then render a decision to establish the Creditors' Committee.

The Committee will draw up draft regulations for its functioning, based on a proposal by the liquidator. The regulations will be approved by FINMA (the Regulations).

In particular, the Regulations will define the powers of the Creditors' Committee, the remuneration of its members (which will be paid from the bankruptcy assets) as well as the rules applicable in the event of a conflict of interests.

FINMA will be in charge of appointing a Chairman and Vice-chairman. The Chairman will have a deciding vote in the event of a split vote.

Yours faithfully,

The Liquidator, Carrard Consulting SA

Appendix 1a - Expenses & incomes of the bankruptcy estate for 2014-2015

Expenses	September 2014	October 2014	November 2014	December 2014	January 2015	February 2015	March 2015	April 2015	May 2015	June 2015	July 2015	August 2015	September 2015	October 2015	November 2015	December 2015	Total post bankruptcy 2014/2015
Wages and personal costs	35669	1'074'886	1'053'691	1'184'719	885'238	750'767	723'322	593'087	541'087	573'343	260'512	267'801	334'653	186'500	209'989	254'588	8'929'854
Premises and facilities costs	17'286	239'474	251'318	244'234	283'432	243'221	258'506	54'958	40'558	46'175	39'255	38'951	41'871	42'924	36'811	46'967	1'925'743
Information - Communication - Technology*	153'912	106'064	168'517	153'008	488'161	511'696	66'399	97'911	102'019	379'764	103'013	96'352	74'923	50'860	99'435	120'547	2'772'580
Carrard Consulting SA	290'689	474'282	555'013	520'419	530'831	490'176	407'984	321'109	267'560	362'379	320'163	250'226	267'194	342'371	312'464	292'666	6'005'527
Kellerhals Carrard	113'739	184'025	127'952	64'273	92'730	57'777	78'838	28'563	23'310	24'374	28'225	19'718	29'786	20'838	17'050	16'946	928'143
External Agents	69'990	24'169	48'079	51'548	86'716	76'193	89'634	51'037	15'658	26'859	38'598	16'279	31'908	60'704	37'942	27'627	752'942
Overheads	2'595	12'813	2'838	4'067	-16'978	2'170	3'297	14'044	168	1'307	2'326	758	134	372	38'863	104	68'877
TOTAL EXPENSES	683'880	2'115'714	2'207'408	2'222'268	2'350'131	2'131'999	1'627'980	1'160'709	990'360	1'414'202	792'092	690'085	780'269	704'568	752'555	759'445	21'383'665
Incomes	September 2014	October 2014	November 2014	December 2014	January 2015	February 2015	March 2015	April 2015	May 2015	June 2015	July 2015	August 2015	September 2015	October 2015	November 2015	December 2015	Total post bankruptcy 2014/2015
Net sales commission / securities transfer fees	14'601	21'353	311'310	24'511	-11'036	-12'361	16'748	-55'651	-20'272	-43'837	-50'719	-117'960	-45'773	151'642	-40'585	4'095	146'066
CBH service fees	37'000	100'000	100'000	100'000	67'500												404'500
ESBD service fees**	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	0
BPES Lisbon service fees	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	538'060	0	538'060
Other incomes		140	247	486	935	15'679	3'564	9'681	2'614	1'673	7'151	923	2'098	2'127	3'322	593	51'235
TOTAL INCOMES	51'601	121'493	411'557	124'997	57'399	3'318	20'312	-45'970	-17'658	-42'163	-43'568	-117'037	-43'674	153'768	500'798	4'688	1'139'860
Net expenses of the bankruptcy estate	632'279	1'994'221	1'795'851	2'097'271	2'292'732	2'128'681	1'607'668	1'206'679	1'008'019	1'456'365	835'659	807'122	823'943	550'800	251'758	754'756	20'243'804

Carrard Consulting SA and Kellerhals Carrard fees are indicated VAT included.

* This section does not include the expenses related to IT decommissioning and archiving.

** Pro memoria - high legal risk.

Appendix 1b - Expenses & incomes of the bankruptcy estate for 2016

Expenses	2014/2015 carried forward	January	February	March	April	May	June	July	August	September	October	November	December	Total 2016
Wages and personal costs	8'929'854	174'340												174'340
Information - Communication - Technology	2'772'580	189'930												189'930
1) Carrard Consulting SA	6'005'527	298'067												298'067
1) Kellerhals Carrard	928'143	11'284												11'284
External Agents	752'942	34'269												34'269
Premises and facilities costs	1'925'743	21'528												21'528
Overheads	68'877	3'356												3'356
TOTAL EXPENSES	21'383'666	732'774	0	0	0	0	732'774							

Incomes	2014/2015 carried forward	January	February	March	April	May	June	July	August	September	October	November	December	Total 2016
Net sales commission / securities transfer fees	146'066	-57'549												-57'549
2) Custody fees	0	33'188												33'188
CBH service fees	404'500	0												0
ESBD service fees	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	0
BPES Lisbon service fees	538'060	0												0
Other incomes	51'235	122												122
TOTAL INCOMES	1'139'861	-24'239	0	0	0	0	-24'239							
Net expenses of the bankruptcy estate	20'243'805	757'013	0	0	0	0	-48'479							

1) Fees were indicated VAT included for 2014/2015. Fees will be indicated VAT excluded for 2016.

2) Custody fees charged in 2015 and paid in 2016, and custody fees charged and paid in 2016.

Appendix 2 – Proposal form for the appointment of a representative to the Creditors' Committee

Pursuant to Circular no. 6 from the liquidator of Banque Privée Espírito Santo SA in liquidation concerning the formation of a creditors' committee (article 15 OIB-FINMA), the undersigned proposes the following person to act as a representative of the category of creditors to which the undersigned belongs pursuant to Section 11a) of this same circular:

Information concerning the undersigned

Last name/Company name: _____

First name: _____

Account no. (if applicable): _____

Information concerning the representative

Last name: _____

First name: _____

Address: _____

Addition to address: _____

Place: _____

Post code: _____

Country: _____

Telephone no.: _____

E-mail: _____

Link with the undersigned (e.g.: lawyer, trustee, legal representative): _____

Language/s practised by the representative: _____

Category of creditors (1 to 5) according to Section 11a) of Circular no. 6: _____

Signature of the representative: _____

* * *

Place and date: _____

Signature: _____