



6 January 2020

Creditors
Loyal Bank Limited (In Liquidation)

Dear Creditors,

Re: Loyal Bank Limited (In Liquidation) – Status Update

1. Introduction

This letter serves as an update to the creditors of Loyal Bank Limited (In Liquidation) ("**the Bank**" or "**LBL**") on the Bank's winding up proceedings, for the period 1 June 2019 to 31 December 2019 and key issues that are being addressed. Previous updates regarding the Bank's winding up proceedings and pertinent information have been posted to LBL's website www.loyalbank.com.

As per our previous update dated 26 June 2019 ("**the Update**"), we the Joint Liquidators for LBL ("**the Liquidators**") have issued three (3) reports to the High Court of Justice of Saint Vincent and the Grenadines ("**the Court**"), detailing the liquidation activities since our appointment on 24 August 2018 ("**the Liquidation Date**"). We are scheduled to file our fourth report with the Court in February 2020.

As Liquidators, we continue to collect the Bank's assets, assess the Bank's liabilities, and review and investigate the Bank's operations and financial arrangements. We have also continued our efforts with the legal proceedings, as detailed in the Update, to progress the realization of certain of the Bank's assets. This included, entering settlements with certain of the Bank's debtors ("**Settlements**"). The Settlements were executed, as pursuing litigation to trial would have incurred substantial legal costs, which would have eroded the Bank's and the debtors' assets, without certainty that the Bank would have been successful with the legal proceedings. The Settlements were approved by the Court and courts in other jurisdictions, where deemed necessary.

2. Challenges

We continue to devote significant attention to issues that impede the progress of the liquidation activities, as noted below:

- a) We have taken the necessary steps to address the criminal indictment, filed by the United States Department of Justice of New York in 2018 prior to the appointment of the Liquidators, against the Bank, along with certain former employees.
- b) We have been successful with having some of the Bank's assets unfrozen and are now in possession of some of the aforementioned assets. Efforts to have the other assets unfrozen are ongoing.

Loyal Bank Limited – In Liquidation

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- c) We have been successful with our efforts to address challenges with the recognition of the Court order placing the Bank into liquidation ("**the Order**") and our authority as the Bank's Liquidators by financial institutions and other third parties holding LBL's assets ("**Financial Institutions**"). Accordingly, the Order has been recognized in other jurisdictions.
- d) Funds have been remitted to the Bank's new account, thus addressing the previous challenges relating to the remittance of funds to the liquidation accounts.
- e) We continue to conduct the necessary investigations of the Bank's underprovided and entirely non-performing loan book ("**Loans**"), in order to effectively execute recovery steps. Accordingly, as indicated in the third paragraph of this letter, we have entered into Settlements with certain Loans.

3. Financial Position

As stated in the Update, the Bank's financial information ("**Records**") has not been subject to an audit as at the Liquidation Date. We have sought to confirm the Records directly with third parties and other sources, as part of our verification and recovery processes. From the information provided and our investigations to date, we continue to experience challenges with collecting the recorded assets of the Bank, for the reasons listed below.

- a) The Loans were materially under-provided for and non-performing.
- b) Certain investments and cash accounts remain frozen or subject to penalty terms.
- c) Other investments in subsidiaries are illiquid and the associated realizable values are uncertain at this time.

We have discovered certain account balances included in the Bank's liabilities that are unsecured creditors, which we have not been able to verify or reconcile as at the Liquidation Date ("**Pending Accounts**"). As part of the reconciliation process, this matter has been discussed with two (2) of the Bank's former employees. Both employees were retained as Contractors to assist us with the Bank's liquidation. One of the Contractors was the Bank's Accounting Officer, who was responsible for the preparation of the Bank's records and is the principal person assisting us with this matter, and the other worked in the Compliance Department.

We have also been advised that inactive clients' accounts were closed, by placing their funds in general ledger accounts. Accordingly, we are in the process of identifying the affected accounts, to ascertain how these balances were recorded in the Bank's records and the next steps to be taken. Notwithstanding the above, the process to address the Pending Accounts has been impeded, due to challenges accessing the Bank's banking software ("**the Software**"). We have recently gained access to the historical information contained in the Software and have started the process of reviewing depositor balances. However, we are experiencing difficulties with the Software. Accordingly, we are liaising with the provider of the Software, to obtain their assistance with this matter.

Depending on the results of the Pending Accounts, and as stated in the Update, we may have to adjust the estimate of distributions to creditors, which is subject to the assumptions and limitations identified to date. The estimated distribution to priority claimants is 100 cents on the dollar and approximately 35 to 40 cents on the dollar to unsecured claimants, which includes depositors.



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As at 31 December 2019, USD 31,823,467.91 of LBL's assets have been collected into the liquidation bank accounts. Disbursements of USD 4,412,254.97 have been paid to date, consisting of operation expenses, legal costs, liquidation fees and other disbursements.

In light of the above, we maintain the view that at the Liquidation Date, the Bank was in a net liability position and was insolvent, and remains insolvent.

4. Conclusion

We will continue to work to collect the assets of the Bank and to verify and adjudicate claims in the liquidation. Accordingly, we will amend and update the estimate of distributions to creditors as better information regarding the ultimate realizable values for certain assets is developed and/or, should the underlying data or records we rely upon prove to be inaccurate or if circumstances materially change after the date of this letter.

We are taking the necessary steps to continue with the Bank's liquidation and address challenges encountered during the winding up proceedings. Accordingly, depositors with a claim in the liquidation will be contacted as soon as is possible, to confirm their account balance(s) at the Liquidation Date.


We remain committed to providing all creditors with periodic updates.

Please do not hesitate to contact the below named persons who are authorised to represent the Bank or conduct business on the Bank's behalf:

Ikins D. Clarke – Court Appointed Liquidator;
Rikhi Rampersad – Court Appointed Liquidator;
Raymond Haynes – Agent of the Liquidators; and
Tiphaney Russell – Agent of the Liquidators.

Information regarding the Bank's liquidation may be obtained from the Bank's website www.loyalbank.com and parties with an interest in the liquidation may contact us at loyalbankliquidation@deloitte.com.

Yours sincerely,


Ikins D. Clarke
Joint Liquidator
For and on behalf of
Loyal Bank Limited (in Liquidation)