
FBME LIMITED

25 August 2014

TO THE STAFF OF FBME BANK

I am taking this opportunity of writing to all employees of FBME Bank to bring you up to date with current developments, and to outline the strategy that we have developed to deal with this crisis. As many of you know I have wanted to hold staff meetings for some time, but the situation has been so busy that neither I, nor my brother Farid have been able to hold these events. I am working abroad and Farid, as many of you know is recuperating, so we decided that we should write to everyone. As soon as we can we will brief employees face-to-face.

Initially I want to make it clear that there can be no mistaking the seriousness of the situation, but I want to assure everyone that we as shareholders feel that a solution is possible. We are not standing still but are working very hard to bring about such a remedy and we have many different procedures in process.

FBME Limited, which is our personal holding company owning FBME Bank, is working on a multi-pronged strategy to restore confidence and value in the Cyprus branch of FBME Bank. This involves 1) addressing the issues raised by the US Department of Treasury, 2) seeking legal measures to forestall the unauthorised sale of the Cyprus branch of the Bank, 3) lobbying to restore the Bank's ability to make transactions and resume banking, and 4) planning for the future of the Bank which involves the interests of employees and depositors.

FinCEN

The first and major element is the investigation of the issues raised by the USA's FinCEN report of 15 July in their Notice of Findings and Notice of Proposed Rulemaking. In response to these notices, FBME has commissioned an independent study, currently underway by independent American forensic accountants. The work will have particular reference to the Bank's compliance with EU-approved Anti Money Laundering and Know Your Customer regulations and best practice guidelines.

The accountants have a specific time in which to produce their report which, FBME is assured, will be rigorous and objective.

The result of the investigation will be part of the submission to FinCEN by FBME and studied. The outcome, it is assumed, will be decisions from FinCEN. While there is no point in speculating on the final outcome, FBME has been subject to regular inspections by the Central Bank of Cyprus and others for many years, with particular reference to Anti Money Laundering procedures. Also there was the major AML study carried out by the Frankfurt office of a leading consultancy which reported in April 2013. This indicated that the Bank fulfills the requirements of the Cyprus regulator and is in compliance with EU standards.

Legal recourse

On the second front, the shareholders' strategy is to use the courts to tackle the actions of the Central Bank of Cyprus in imposing Resolution measures and in its aims to sell the Cyprus branch of FBME bank. There are a number of initiatives being considered which may involve taking action against certain named individuals for their role in the crisis.

A major recent action has been to seek arbitration at the International Chamber of Commerce in Paris, one of three leading arbitration centres in the world. A request for arbitration has been filed which invokes the

2002 Lebanon-Cyprus treaty for the protection of each other's investors. This is designed to block the sale of the Cyprus branch.

Other legal measures have been introduced in the Cyprus courts. On 22 August the Central Bank of Cyprus deferred any further action on a sale to at least 15 September following a court decision to put off a hearing until that date. FBME is challenging the Resolution Decree, which was designed for banks which are insolvent or illiquid not a healthy bank such as FBME. It is also seeking the suspension of the actions of the special administrator.

Protection of the rights of depositors

On taking up his role on 22 July, the Central Bank-appointed special administrator said that it was his intention to protect the interests of depositors. As has become well-known, the administrator has signally failed to protect any depositor and, in fact, his actions have led many into real hardship. This is morally indefensible and is doing untold harm to the reputation of the Republic of Cyprus.

For some time FBME Limited has pursued lobbying channels to get the barring orders on allowing depositors to make transactions imposed by the special administrator, amidst reports of the hardship to people and companies of the stop on transactions. These efforts are being redoubled.

Long term restoration

The fourth area for concentrated focus is to plan and take measures to restore the long term viability of the Bank both as a place for employment and for customer service. These measures will include rebuilding the Bank's reputation, reassuring its deposit base and rekindling its spirit of quality service. It may involve reorganisation and restructuring, planning for Card Services and developing new markets for the Bank.

FBME Limited is confident that with the support of FBME Bank's staff, its home regulator and its depositors a route forward will be found.

I would like to take this opportunity to thank you all for the loyalty that you are showing at this very difficult time. I can understand the stress that you may face and together with my brother Farid we express our sympathy, and hope that these matters may pass before too long.

Yours with very best wishes

Fadi M Saab
Co-Owner

