

Deloitte

Landsbanki Guernsey Limited (in Compulsory Liquidation)

9 July 2012

UPDATE ON THE PROGRESS OF THE LIQUIDATION

Payments to creditors

As at 31 May 2012 the Joint Liquidators have made total payments of £102.5m to depositors and £0.6m to non-depositor creditors.

As at the date of this update, approximately 99% of proof of debt forms (both by reference to the number and value of accounts) have now been returned to the Joint Liquidators.

Approximately £0.97m remains payable to depositors in respect of the interim distribution declared by the Joint Liquidators (this includes £659k in respect of depositors who have yet to provide proof of debt forms and £31.2k in respect of those depositors who have provided proof of debt forms but who have yet to provide their bank details to the Joint Liquidators). All priority creditors have been paid in full and payments of 85p have been made to other ordinary creditors of LGL.

Any creditors who have returned their proof of debt forms but have yet to claim the interim distribution made available in February 2011 should return payment request forms to the Joint Liquidators as soon as possible.

The Joint Liquidators request that any depositors who have yet to provide their completed proof of debt forms or who have yet to contact the Joint Liquidators should do so as soon as possible and the Joint Liquidators draw your attention to paragraph 10 of their January 2012 Report which sets out the implications of non-proof of debt. All depositors and creditors are reminded that they should notify the Joint Liquidators of any change in address in writing.

Update on the realisation of loans

Since 1 January 2012, approximately £1.7rn has been received in repayment of the outstanding loan amounts. At 31 May 2012, two loans remain outstanding.

As at 31 May 2012, the Joint Liquidators had received total repayments of £42.5m. As at 31 May 2012 the outstanding capital balance (after write offs) on the loan portfolio was approximately £6.2m, however the Joint Liquidators have made a provision of £4rn against this remaining balance.

Guarantee claims

In their capacity as Joint Administrators, the Joint Liquidators previously advised depositors that any claim to enforce the Landsbanki Islands hf ("LIHE") guarantee or claim against the Directors for failure to establish a legally binding guarantee would have to be brought by or on behalf of the Bank's depositors rather than in the name of the Bank itself.

The Joint Liquidators draw to depositors' attention that should any depositors wish to pursue this matter that the limitation for any claim against the directors may run out on 26 August 2012 (being 6 years from the initial purchase of Cheshire Guernsey Limited by LB-IF) and hence the date of agreement of the (unsigned) guarantee. In this respect we note that LIHE Article 113 (ordinary) claims are currently trading in the market at approximately 5%.

Future distributions and ultimate recovery

The Joint Liquidators continue to estimate the ultimate return to creditors of LGL to be between 87 to 91 pence in the pound. However should the Alternative Claim in Iceland be successfully pursued then the recovery may increase. The Joint Liquidators remain very cautious about this eventuality.

Further, the Joint Liquidators expect that there will only be one further distribution on dissolution of LGL,

which is hoped to be completed prior to the end of 2012, although this is dependent on the realisation of the remaining loans and any future litigation in Iceland.

Further updates to creditors

The Joint Liquidators will continue to update creditors via the website in order to keep costs to a minimum. However, the Joint Liquidators will only provide updates when significant new information becomes available although the Joint Liquidators expect to provide a further update early in autumn 2012 with regard to the realisation of the remaining loan portfolio.

Note; This update has been prepared for the benefit of creditors. The information presented in this report has not been subject to independent audit verification by Deloitte LU' or by the Joint Liquidators.