

19th January 2010, Royal Court Guernsey, Commissioner's meeting for Landsbanki Guernsey in Liquidation.

Dear All,

Being aware of the good news that was to be formally announced, I was able to attend the Commissioner's Meeting at the Royal Court this morning with a spring in the step!!

The Commissioner (Mr Richard Collas, Deputy Bailiff)("RC") opened the meeting by explaining that the main purpose of the meeting was to agree the payment of a dividend and he asked Advocate Christian Hay ("CH") (for the Bank) to start by announcing details of the persons present. In addition to CH and myself, there were Rick Garrard ("RG")(Liquidator), Nickie Paul (for Deloitte), Mike Adkins for Collas Day), Advocate Ian Swann ("IS") (for the ICC), three Depositors (Luc Berchem("LB"), Oliver Day and Gary Blanchford), The Guernsey Press reporter and last, but not least, my dear wife.

CH then proceeded to give a brief history of the Administration with a little more detail on the recent Court Hearing and the subsequent Liquidators' report, before handing over to RG for more detail on the financial situation.

There was then distributed, to all present, a statement of the assets that will be available for distribution and details of the various claims made on the Bank, so that we all could see details of the cash that will be available for distribution and, of course, then came the all important announcement that the Liquidators had agreed to sell the remaining debt receivable from Heritable at a price of 83p in the pound, with a net receipt of 37.61p in the pound, reflecting the fact that the Bank had already received 45.39p in the pound in distributions from the Heritable Administration. RG explained that this would enable him to distribute an extra 9.5p in the pound to depositors, in addition to the 7.5p in the pound previously anticipated, after allowing for a cash buffer to cover legal costs in Iceland, Administration/Liquidation costs, etc. However, although the sale was agreed on 6 January 2011, no cash has yet been received and there is a one month warranty period, so this will delay payment of the distribution until at least 7 February 2011.

RG then went through the statement that had been distributed to attendees, explaining each item in detail and, in particular, updating the meeting with the current position regarding those preferential and contingent claims where rejection is proposed. The contingent claims do, of course, include the FX claims, and, with two FX depositors being present, this resulted in extensive discussion. First of all, CH presented the reasons for converting those deposits to sterling at the date of Administration, and the principal reason is that this complies with UK insolvency legislation and, where Guernsey has no specific legislation (as in this case), Guernsey does follow the UK legislation.

LB then responded on behalf of the FX depositors and, in doing so, put forward some very good points in support of their case. The principal argument was that FX depositors were not being treated equitably, unless they received the same percentage of their deposits in the relevant foreign currency as sterling depositors were receiving in sterling. He also pointed out that the total FX deposits in LG were very small compared with the sterling deposits, which means that the loss for each FX depositor is much greater than the loss would be for each sterling depositor, if the total FX loss was born by the sterling depositors.

IS was then invited by RC to respond to LB and, basically, he confirmed what had been said by CH; but, also added that, in the UK, this part of the legislation had been confirmed by a Statutory Instrument. He also mentioned that he had been involved in a case in Guernsey, where he had acted

on behalf of an FX depositor and the Judge had ruled against him, as a result of the application of the UK legislation.

After further discussion between the parties concerned, RC and the lawyers, the FX depositors (after conferring) agreed to accept the opinion of the lawyers and the ICC and abandon any further action, although RG did agree that, in the unlikely event that there is ultimately a surplus of funds, he would reconsider the FX claims. LB did say that he was a little disappointed not to receive greater support from the ICC and I did point out to him that we were all very sympathetic to their position; but, over the last couple of years, we have spent a considerable amount of time discussing the matter with RG and with the lawyers, and it became obvious to us that, even if they were prepared to spend money on legal fees, their chances of success were very remote.

There was then some discussion between RC, RG and the lawyers with regard to the acceptance of a late Proof of Debt. It was eventually agreed that it would be accepted if it did not increase the total indebtedness – i.e. if it matches the total already approved; but, if it resulted in an increased claim, it would have to go back to Court, where it could be challenged by other creditors.

We then discussed some questions that I had been asked by depositors to put to the Commissioner on their behalf and, after discussion with RC, RG, and the lawyers, I have answers to convey to those depositors.

RC then agreed to a short adjournment to enable us to reflect on the matters discussed and, in particular, the forthcoming distribution. After discussing the distribution with IS, I raised the query as to whether the distribution could be increased by 10p in the pound, as opposed to 9.5p in the pound, since this would increase the forthcoming distribution to 17.5p in the pound and the total dividend to a nice round 85p in the pound! I explained that the legal fees in Iceland are relatively small and I doubted whether the extra £120,000 odd required for the additional 0.5p would provide a problem for the Liquidators.

After the adjournment, there was discussion between RC and RG, and it was agreed that the forthcoming distribution will be 17.5p in the pound, payable on, or after, 7 February 2011, subject to there being no claim during the warranty period on the Heritable sale and receipt of the sale proceeds. RG said that he would maintain the upper end of their expectations at 91p in the pound; but, increase the lower end to 87p as a result of the sale of the Heritable debt.

With kind regards

Peter