

Landsbanki Guernsey Limited (in Compulsory Liquidation)

1 May 2013

Update on Liquidation

This update is being provided to keep creditors informed of the progress of the Liquidation of Landsbanki Guernsey Limited (in Compulsory Liquidation) ("LGL").

In particular this update provides creditors with information regarding the:

Alternative Claim; and
Approval of the Second Interim Distribution.

Alternative Claim

On 5 October 2012 LGL commenced proceedings in the District Court of Reykjavik against "New Landsbanki" (the Icelandic Bank created to take on certain assets and liabilities of Landsbanki Islands hf ("LIHF")), the Icelandic financial services authority ("FME") and the Icelandic Government. In those proceedings LGL claims that its deposit with LIHF should have been transferred to New Landsbanki, in accordance with a decision of the FME made on 9 October 2008.

As set out in the website update in September 2012, in making the decision to proceed with the so-called "Alternative Claim", the Joint Liquidators and the ICC were cognisant of the fact that this course of action would result in the extension of the liquidation but noted the potential for significantly increased returns to creditors should the claim be successful and further noted that, should the case be unsuccessful, the costs involved are unlikely (based on current estimates) to significantly affect the ultimate recovery for creditors.

Following the outcome of a similar claim brought in the administration of another of the failed Icelandic banks, the Joint Liquidators, with the approval of the ICC and the Court, are proceeding with the case against New Landsbanki but will withdraw the case against the FME and the Icelandic Government.

Creditors are advised that the Joint Liquidators' Icelandic Counsel have indicated that the legal proceedings are unlikely to be completed until the end of 2014 due to a number of factors, but principally the significant number of cases currently being heard in Iceland.

Update from the Commissioner's Meeting

The Joint Liquidators are pleased to confirm that, following the Commissioner's meeting on 29 April 2013, they will be making a Second Interim Distribution to depositors and other creditors of 4.6 pence in the pound.

The distribution will be made automatically on or around 15 June 2013 to depositors' previously nominated accounts. No additional forms will be required to be submitted and eligible creditors will receive notification of the amount(s) due to them in writing. If nominated account details have changed please notify the Joint Liquidators immediately in writing.

There remain a very small number of depositors who have, to date, not proved their debts and have therefore not received the first interim dividend. These depositors will therefore not be eligible to receive the second distribution until such time as they have submitted their proof of debt form.

As previously advised, it was previously the Joint Liquidators' view that no further distributions would be made to creditors until the final dissolution of LGL partly due to the cost of processing each distribution. However, in view of the extended timeframe envisaged for the legal proceedings in Iceland, it is the Joint Liquidators' view that withholding cash reserves (which were significantly increased by the final loan realisations in late 2012) until the end of 2014 might not be in the best interest of some depositors and other creditors, some of whom have corresponded directly with the Joint Liquidators in this respect. In addition the Joint Liquidators are cognisant of the aging demographic within the depositor population.

No new claims (i.e. additional to those admitted at the Commissioner's meeting of 19 January 2011) were adjudicated upon at the Commissioner's meeting. The Commissioner also examined the Joint Liquidators'

accounts up to 31 January 2013 (copies of which will be provided to depositors and creditors along with the letter confirming the amount due in respect of the second interim distribution).

Expected outcome

The Joint Liquidators maintain the upper end of their recovery expectations for LGL at 91p/£. Should LGL be successful in the Alternative Claim recoveries are expected to be significantly higher than 91p/£. However the Joint Liquidators continue to be cautious about this eventuality.

Future distributions

The Joint Liquidators do not expect to make any further distributions to creditors until the final dissolution of LGL. This is not expected to be until the end of 2014 upon the final resolution of the Alternative Claim.

Further communications

Updates will continue to be made via the website in order to keep costs to a minimum.

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 LLP or by the Joint Liquidators.