



## News Release

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### **Joint Administrators secure part-payment to depositors of Landsbanki Guernsey Limited (in Administration)**

The Administrators of Landsbanki Guernsey Limited ("the Bank"), which was placed into Administration on 7 October, have announced a proposal to make a part-payment to depositors equivalent to 30p in the £1.

The affairs, business and property of the Bank are being managed by the Joint Administrators, Rick Garrard and Lee Manning of Deloitte, the business advisory firm.

#### **Proposed part-payment to depositors**

Rick Garrard, Joint Administrator, announced: "We are now in a position to make a part-payment on request to depositors equivalent to 30p in the £1 on all deposits as at 7 October 2008, the date the Bank went into Administration. We will provide depositors with details of how to request this withdrawal or how to transfer the funds to another bank in a letter to be issued to customers later today. The Q&As will also be updated later today on our website at [www.landsbanki.co.gg](http://www.landsbanki.co.gg)."

Those depositors who do not seek to withdraw any or all of the estimated 30p in £1 being made available will retain their entitlement to withdraw monies upon request up to the estimated on account part-payment of 30p in £1. The Joint Administrators will retain ringfenced funds to meet these commitments. These monies will attract interest at the normal short notice rate offered by our bankers (currently at 3.5%).

Depositors should note they have no automatic right to interest after 7 October 2008, other than in respect of the ringfenced monies noted above.

The speed of this payment is unprecedented and was approved by the Court late last night without sufficient time to fully quantify the level of creditors. For this reason the Court has concluded significant cash balances will remain in the Bank after allowing for this proposed partial payment.

Rick Garrard continued: "We understand that depositors have been awaiting news on the prospects for recovery of their deposits from the Bank. The reason for the delay has been the need to obtain a better understanding of the position of the Bank and obtain Court approval that all depositors can be treated equally, notwithstanding any different terms of their deposits."

It has also been necessary to seek clarification that the Financial Sanction Notice issued by HM Treasury freezing its parent Landsbanki Islands hf's (in

Receivership) ("LIH") assets did not impact on the liquid cash assets of the Bank and to ensure the Bank had appropriate insurance cover in place to make the payment.

### **Prospect for further part-payment to depositors**

Rick Garrard commented: "The prospects for further repayment to depositors are good but the repayment of substantial extra sums is dependent on a recovery of certain illiquid assets."

The Administrators will be providing depositors with a Summary Preliminary Statement of Affairs for the Bank, outlining its assets, which comprise participations in commercial loans secured on UK commercial, development and residential property; inter-bank deposits with Heritable Bank (in Administration) ("HB"); and inter-bank deposits with the Bank's parent LIH.

Rick Garrard added: "There are good grounds to believe the commercial loans and the HB deposit, which is mainly supported by commercial loans of similar type as the Bank's commercial loans, will ultimately achieve a significant realisation of cash which would be available for repayment to depositors.

"The speed of recovery will depend on agreeing a sale of the commercial loans at a price which does not compromise the depositors' ultimate recovery. A number of credible parties have already expressed interest in a purchase and due diligence commenced on 10 October.

It should be appreciated that a sale of the commercial loans may take some time to achieve as acquirers will need to undertake their own enquiries prior to any offer."

The recoverability of inter-bank deposits with LIH and other potential recoveries against the Bank's parent remain unclear while the position of the Icelandic banks remain the subject of discussions at governmental level. Depositors should be aware that the States of Guernsey, the Guernsey Financial Services Commission ("GFSC") and the Administrators are engaging with HM Government in the UK and the Icelandic authorities on this matter.

### **Prospect for full repayment to depositors**

The collapse of HB and other uncertainties have now placed greater doubt on the ability of the Bank to recover sufficient assets to pay depositors in full.

Several high-level discussions have been held with representatives of the States of Guernsey and they continue to be kept fully informed of developments.

In addition, discussions have also been held with potential acquirers of the whole Bank with a view to protecting all depositors' monies. Such an eventuality would be the best solution but appears less likely at the current time due to the level of uncertainty over the recoverable value of the illiquid assets.

The Summary Preliminary Statement of Affairs shows that although the Bank, with the full involvement of the GFSC, took substantial steps to reduce its direct exposure to LIH as the risks of difficulties in Iceland increased, the Bank has had liquidity difficulties due to the failure of HB, the fellow UK subsidiary of the Bank, which is regulated by the UK Financial Services Authority. HB went into Administration on the same day as the Bank's Administration and owed the Bank £36 million.

Rick Garrard commented: "As you are probably now aware, there is no depositor protection scheme in Guernsey. Furthermore support for depositors from the States of Guernsey, the UK and other Governments and other banking institutions is not an obligation and cannot be assumed. The Joint Administrators remain cautious about the prospects of such a solution.

"While depositors may be disappointed, they can be assured the Administrators are working very hard to secure repayments as soon as possible."

### Summary Preliminary Statement of Affairs as at 6 October 2008:

#### LANDSBANKI GUERNSEY LIMITED (IN ADMINISTRATION)

	Book Value £'000s	Estimated realisable value £'000s
<b>Liquid Interbank Placements</b>	41,266	41,266
<b>Group Placements</b>		
Heritable Bank (in Administration)	36,344	Unknown
Landsbanki Islands hf (in Receivership)	12,753	Unknown
<b>Loan Assets Supported by UK Property Security</b>	52,449	Unknown
<b>Other Assets</b>	549	Unknown
<b>Total Assets</b>	<b>143,361</b>	<b>Unknown</b>
Client Liabilities	117,330	117,330
Accrued Interest	3,321	3,321
Estimated Unsecured and Preferred Creditors	530	530
<b>Total Liabilities</b>	<b>121,181</b>	<b>121,181</b>
<b>Net Assets</b>	<b>22,180</b>	<b>Unknown</b>

#### Analysis of Customer Deposits by Geography

	Number of deposit accounts	Value of deposits (% of total)
Bailiwick of Guernsey	793	30%
Bailiwick of Jersey	125	4%
United Kingdom	455	33%
Other	660	33%
	<u>2,033</u>	<u>100%</u>

This statement of affairs has not been subject to any detailed verification by the Administrators and hence the estimated realisable value of all assets other than cash balances are shown as uncertain.

Landsbanki Guernsey Limited is in Administration and the affairs, business and property of the Bank are being managed by the Joint Administrators, Mr Rick Garrard and Mr Lee Manning of Deloitte & Touche LLP.

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**Note to editors:**

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