



Board decision on payment from the Deposit Division following the collapse of the Icelandic banks in the fall of 2008 and later – summary

- Landsbanki Íslands hf. became the first member company of the TIF's Deposit Division to be deemed unable to render payment of the amount of deposits, securities or cash, cf. paragraph 1 of article 9 of Act no. 98/1999 on Deposit Guarantees and Investor Compensation Scheme (DGA), according to the Icelandic Financial Supervisory Authority (FME) opinion dated 27 October 2008.
- Available for payment to depositors of Landsbanki Íslands hf. are all the assets of the Fund's Deposit Division as they were on 27 October 2008 plus the interests those assets have yielded since then.
- Payments will be effected in Icelandic krónur. In the case of Landsbanki Íslands hf. the closing rate on 27 October 2008 will therefore be used for converting the deposits.
- It has been established that the TIF's total assets in the year 2008 amounted to around ISK 16 billion but claims made against the TIF constitute many times that amount. Therefore it is clear that the Fund will be depleted after the first payment to creditors of Landsbanki Íslands hf.
- It is foreseeable that the TIF will not be able to pay depositors of Landsbanki Íslands hf. a guaranteed minimum in the first payment. The view of the TIF Board is therefore that the assets recovered by the TIF in the winding-up proceedings of Landsbanki Íslands hf. should be used to pay depositors who have not received payment of the minimum guarantee.
- The funds recovered in the winding-up proceedings of Landsbanki Íslands hf. will be used to remit additional payment to those depositors of Landsbanki Íslands hf. who did not receive payment of the minimum guarantee during the first disbursement from the Fund. The minimum guarantee under paragraph 1 of article 10 of Act no. 98/1999 in the case of Landsbanki Íslands is converted by using the buying rate of the Euro on 27 October 2008. The closing exchange rate (buying rate) of the Euro with the Central Bank of Iceland on that day was ISK 151.58 and the amount of the minimum guarantee is therefore equivalent to ISK 3,166,051.
- The implications of this decision are that no assets are deemed to have been available in the TIF when the FME issued its opinion on the insolvency of Kaupthing Bank hf. and Glitnir Bank hf. It is therefore anticipated that creditors of those banks will not receive payments from the TIF.

- Premiums collected by the TIF formed a new fund as of the date of payment for the year 2009 and it is reasonable to consider those assets available for disbursement to depositors of other financial institutions declared unable to pay by the FME after that time limit.
- In the event that payment of guaranteed deposits is effected from the TIF, the TIF Board considers that the Fund should take over the full amount of a depositor's claim against the relevant financial corporation in accordance with paragraph 10 of article 3 of Act no. 98/1999. The TIF therefore receives the entire amount recovered from a member company and then pays the depositor what he is due, less the amount he has already been paid from the TIF's Deposit Division.
- For this reason the TIF has in its decision urged creditors of Landsbanki Íslands hf. to transfer their claims to the TIF within two months the publication of the decision. Should a depositor refuse to transfer his claim to the TIF he will be requested to relinquish his right to receive payment from the Fund.
- In light of Rules no. 370/2010 on foreign exchange, which temporarily stop cross-border capital movements and foreign exchange transactions to and from Iceland, payments to depositors will be deposited in an account with an Icelandic deposit institution of their choice. If no specific request is made on behalf of the depositor regarding in which account the payment should be deposited, it will be stored in a special custody account with the TIF until payment instructions are received from the creditor.
- The TIF Board will exercise its right to set off claims of Landsbanki Íslands hf. against depositors' claims of disbursement. Those who owe the bank a claim that is eligible for set-off will receive payment in the form of a reduction of the claim but not in cash.
- The TIF will protect the interests of depositors as the Fund considers proper at each time, taking into account the costs and the likelihood of the actions' success. If the TIF does not consider it appropriate to bring a dispute against a member company or a bankruptcy estate before the courts, the Fund may transfer a claim back to the depositor, if the latter requests such a transfer. The TIF Board considers that the TIF is obligated to assign the claim back to the depositor in such cases, although excluding the part that the TIF has paid the depositor.
- In light of the existing uncertainty, payments from the Fund will be deferred until it will be possible to assess who are the legitimate creditors of the Fund and how much can be paid to each of them. Disbursement to depositors of Landsbanki Íslands hf. will not commence until uncertainty has been eliminated or reduced to a level which the Board finds acceptable.
- The TIF has urged all creditors of the Fund to submit written remarks and objections to this decision within two months from the publication of an

announcement of the Board's decision; otherwise depositors may lose their rights due to indifference.

- Written remarks shall be submitted to the Fund either by email to *tif@tif.is* or delivered to the following address: *Tryggingarsjóður innstæðueigenda og fjárfesta, b.t. stjórnar TIF, Borgartúni 35, 105 Reykjavík.*