

Isle of Man Depositors' Compensation Scheme

Skeim Karraghey Coayl Lught-baih Argid

Help Sheet: Estimated Example Outcome

(including explanation of Deferred and Statutory Interest)

Isle of Man Depositors' Compensation Scheme (the "DCS");
Early Payment Scheme 1 ("EPS 1") and/or 2 ("EPS 2") claims (collectively, the "EPS");
Kaupthing Singer & Friedlander (Isle of Man) Limited (in liquidation) ("KSF");
Deferred Interest & Statutory Interest, together ("Surplus Interest");

Background

At the date of this Help Sheet (29 Nov 2018) the KSF liquidator has not yet set out dividend rates.

The purpose of this Help Sheet is to assist depositors to understand what they might potentially receive from the DCS.

It is a guide only and an estimated outcome as at this date.

Deferred Interest

KSF depositors' claims for interest were capped under Isle of Man law at 5% on the date that the KSF liquidation was deemed to commence namely 9 October 2008.

Deferred Interest is the interest due on KSF deposits, which had contractual rates above 5%, (which has yet to be paid by KSF) up to the date of the commencement of the liquidation.

Worked example Deferred Interest:

Scenario at the date of the KSF Liquidation (the "Scenario"):

- A depositor had a £1,000 deposit;
- The account received 6% simple interest annually;
- The interest was due to be paid on the date KSF entered liquidation;
- The interest payment was not made to the depositor;

The interest due to the depositor for the year was £60 (£1,000 x 6%).

- As the interest rate on the deposit exceeded the 5% cap, the interest claim was capped at £50 (£1000 x 5%) (the "Recognised Claims"); and
- The interest claim above 5% was treated as a Deferred Interest claim.

As the liquidator has now recovered more than 100 p in the £, the Scheme Manager understands that the KSF liquidator will pay "Deferred Interest" claims in full to relevant depositors.

In the above example this would be £10 i.e. the difference between (£60 and £50).

Please note this is an illustration for guidance only. Deferred Interest claims will vary between KSF depositors.

We go on to explain Surplus Interest on the next page.

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Statutory Interest

The Scheme Manager of the DCS expects that **after** the Deferred Interest has been calculated and provided for by KSF, any further funds available for distribution will be distributed equitably among unsecured creditors (this includes depositor claims) in the liquidation at the statutory rate of 4% (the "Statutory Interest").

Given the limited remaining funds of the KSF liquidation (£15m to £20m to share between a claim base of over £900m) and the requirement to pay Deferred Interest first, there will be insufficient surplus funds to pay all interest due.

Statutory Interest will therefore be calculated by the liquidator for the whole period from the 9 October 2008 until the date of the final distribution and then divided pro rata amongst the unsecured creditors.

It is reasonable to estimate that Statutory Interest might be somewhere in the region of 1.5p in the £.

Worked Example:

Considering the previous Scenario, and assuming the depositor has previously received £1,050 and is entitled to a further £10 of Deferred Interest, their total claim for the purposes of calculating Statutory Interest would be £1,060.

Using the estimate of Statutory Interest above of 1.5p in the £, the depositor might expect to receive £15.90 of Statutory Interest being ($£1,060 \times 0.015$).

Please note this is an illustration for guidance only.

Overall

Based on the scenario set out in this help sheet, the depositor would receive a cheque for £25.90 from the DCS Scheme Manager. This would represent the depositor's total Surplus Interest payment made up of £10 Deferred Interest and £15.90 of Statutory Interest.

The Scheme Manager will send out a single cheque to each depositor, which will include all Surplus Interest due.

Please note this is an illustration for guidance only.

The Scheme Manager kindly asks that depositors refrain from requesting specific information at this time on amounts due.

Instead, please complete the address Confirmation / Update of Address form provided.

When a cheque is issued, the cheque counterfoil will explain the allocation of funds being paid to you.