

TO ALL KNOWN CREDITORS

28 July 2011

Ref: [LO3465/ARB/DE/SB/SF/PF18.1](#)
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Shane Fuller
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Dear Sirs

Heritable Bank plc (In Administration) (“the Company”)

I write to provide you with an update in relation to the estimated returns to creditors in the Administration of the Company.

In the first progress report to creditors dated 17 April 2009, the Joint Administrators reported that, based on information available at the time, the estimated “base case” return to creditors was 70 to 80 pence in the pound. An estimate of a “stressed case” return to creditors was also provided, reflecting the impact of a more adverse set of circumstances, of 55 to 70 pence in the pound.

On 28 January 2010 these estimates were revised and, based upon the progress of the Administration at that time, the Joint Administrators estimated a base case return to creditors of 79 to 85 pence in the pound and a stressed case return of 63 to 73 pence in the pound.

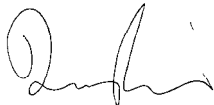
It was noted that, in both cases, the return to creditors was likely to improve where the Company's loan books were run off over a longer time period and the remaining loans sold at a later stage.

The Joint Administrators have now reviewed these estimates and, based upon the progress of the Administration to date and predicted future performance, are pleased to report an increase in estimated returns on both bases. Current projections suggest a base case return to creditors of 86 to 90 pence in the pound and a stressed case return of 74 to 80 pence in the pound.

As reported previously, it is important to note that both the previous and revised base case estimates are based upon certain assumptions in respect of a number of key factors which could have a significant impact on returns to creditors (including interest rates, the housing market and the wider economic environment). These are impossible to predict over long periods with any significant degree of confidence or accuracy. Any or all of these factors could impact the return to creditors to the extent that it may be significantly higher or lower than the range of values outlined above.

For these reasons, while the Joint Administrators consider it appropriate at this stage to provide creditors with an update as to estimated returns in the Administration, such estimates remain provisional, subject to change and must be treated with caution and must not be relied on by creditors.

Yours faithfully
for Heritable Bank Plc (in Administration)

A handwritten signature in black ink, appearing to read 'Dan Edkins', written in a cursive style.

Dan Edkins
for A R Bloom
Joint Administrator

The Insolvency Practitioners Association authorises Patrick J Brazzill to act as an Insolvency Practitioner under section 390(2)(a) of the Insolvency Act 1986 and the Institute of Chartered Accountants of Scotland authorises Thomas M Burton to act as Insolvency Practitioner under section 390(2)(a) of the Insolvency Act 1986. The Institute of Chartered Accountants in England and Wales authorises Alan R Bloom and Maggie E Mills to act as Insolvency Practitioners under section 390(2)(a) of the Insolvency Act 1986.

The affairs, business and property of the Company are being managed by the Joint Administrators, [Alan R Bloom](#), [Maggie E Mills](#), [Patrick J Brazzill](#) and [Thomas M Burton](#), who act as agents of the Company only and without personal liability.