



Summary of Creditors' Report Update September 2009

During the nine-month moratorium period, from 13 February to 13 November 2009, the Bank intends to compile a monthly report for creditors which will be available on the Bank's website, www.kaupthing.com, so that creditors and other interested parties can keep abreast of the main developments and achievements since the previous report was issued.

Chapters updated

- 2.1 Timeline of events
- 3.3 Main tasks of the Resolution Committee today
- 4.3 Assets restructured to date
- 5 Financial analysis

Financial Information update

New information and notes on Kaupthing's balance sheet are reported in Chapter 5. The valuation of assets and liabilities as at 30 June 2009 and 31 December 2008 was prepared by the Resolution Committee for Kaupthing Bank hf., the parent company. No attempts were made at this time to assess the possible future value of assets, nor to estimate likely recovery of creditors' claims.

Asset restructuring

PMS properties

The Bank has finished the restructuring of a SEK 1,1bn portfolio of twelve properties in Sweden. Eleven out of the twelve properties were refinanced in cooperation with the previous owners, the P.M.S. Group Ltd. in Israel, while one of the assets was refinanced through a bankruptcy process. A proactive approach taken by the Bank has secured a considerable equity injection by the owners in both processes and a profit sharing structure. The loans mature in less than five years time and include prepayment incentives for the borrowers.

Celsius portfolio

The Bank has agreed with the shareholders of the Celsius property portfolio to extend the maturity of the EUR 142m facility for 24 months. This is a portfolio of French properties on long term lease contracts to the likes of Carrefour and Arriva. The portfolio benefits from a strong rental income that enables full payment of interest and some amortisation of principal over the term. The Bank believes the extension is a good result for both the Bank and the shareholders as asset values are likely to improve in the near future.

Litigation

Kaupthing Bank and Exista are in dispute regarding a valuation of a cross currency swap transaction between the two parties. Exista wants to use a different exchange rate to the normal benchmark used in similar circumstances, the official exchange rate of the Central Bank of Iceland, and wish to use the exchange rate quoted by the European Central Bank. The Bank has firmly rejected to use any other exchange rate as this is explicitly provided for in Act no. 36/2001 on the Central Bank of Iceland. The Bank and Exista have agreed to resolve their dispute before the Icelandic Courts and the Bank expects to initiate legal proceedings within the next couple of weeks.