



Summary of Creditors' Report Update August 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

- 3.3 Main tasks of the Resolution Committee today
- 3.4 Current status of the Bank's subsidiaries
- 3.5 Current status of the Bank's branches
- 3.7 Corporate communications and creditor relations
- 4.3 Assets restructured to date
- 6.6 The Winding-up Committee
- 7.6 Overview of legal status and restructuring options

Information Disclosure

It is the aim of the Resolution Committee to be as transparent as possible. Therefore, the Committee has gone well beyond its legal obligations in its efforts to inform creditors and others on the progress of its work and intends to continue to do so.

Since the information portal for creditors, www.kaupthing.com, was launched in October 2008 there have been more than 1,000,000 page views by 345,000 users. Since November last year the Bank has responded to more than 6,500 queries.

Litigations

The High Court of England consented to the Bank's request for permission to apply for judicial review of the legitimacy of the decision taken by the UK authorities to transfer to a third party, without compensation, assets and deposits from Kaupthing Edge accounts at KSF, on 8 October 2008. The court heard the case on 10 July 2009, when evidence and arguments concerning the UK authorities' intervention into the operations of KSF was presented. The Bank contends that the actions of the UK authorities were unjust and illegal. The Resolution Committee expects the court's decision later this year and wishes to underline that the final outcome of the case is still uncertain.

Litigations are ongoing in Germany in regard to DZ Bank AG. The litigations involve disputes over freezing of assets and what the Bank considers to be unlawful set-off by DZ Bank AG.

Update on the branches of Kaupthing Bank

On 22 June, repayments commenced as the Bank submitted instructions to a German financial institution to repay the deposits of around 20,000 customers. The process is almost completed and by mid August appr. EUR 322m have been repaid to Edge depositors in Germany with just 450 depositors remaining due to lack of confirmation or incorrect personal details.

Asset restructuring

Bay Restaurant Holdings Limited and Town & City Pub Company Limited

Plato Company 3 Limited, is the 100% holding company of Bay Restaurant Group Limited and Town & City Pub Company Limited. The combined group was highly leveraged and the Bank owned a substantial part of its debts or close to 60%. The rest of the debt was owned by a single bank. The



group agreed with its banks, on a partial debt-for-equity swap conversion which has reduced its debt by approximately GBP 90m. The capital restructuring has enabled the two operating companies to focus on its operations in tough market conditions. The restructuring resulted in the Bank becoming a major shareholder of the combined group. Both companies have done well in this fiscal year and are outperforming budget.

Overview of legal status and restructuring options

A new chapter which provides a brief overview of Kaupthing Bank's legal status and possible restructuring options has been added (Chapter 7.6).

Update on the Winding-up Committee

The Bank's Winding-up Committee has engaged PwC to investigate measures taken by the Bank before it was granted a moratorium, focusing particularly on the possible rescission, on the basis of the Icelandic bankruptcy act, of measures taken by a bankrupt party.

It will be an extensive investigation in which the Bank's accounts, involving several million transactions a month, and legal agreements dating back up to two years will be examined. The chief measures being examined will be: loans, deposits, derivative transactions, securities transactions, inter-company and cross-border movements of capital, complex financial structures, employee-related payments and transactions. There will be a particular focus on transactions with related parties as defined by the bankruptcy act, the Bank's main shareholders, key managers, insiders and other parties.

The investigation is expected to involve a large number of people from PwC and employees of the Winding-up Committee and the Resolution Committee. A team of forensic accountants from PwC in the United Kingdom will be involved in the investigation from the outset.