



Summary of Creditors' Report Update May 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.

Terms on net asset transfer to New Kaupthing

On 15 May 2009, the FME announced that the deadline for agreeing the terms of the financial instrument for the compensation of the net asset transfer is extended. The final timetable is not clear yet and the FME plans to take a decision on the timetable no later than 15 June 2009.

Part I of the Deloitte report and the Oliver Wyman report were made available to the Bank and Morgan Stanley on 23 April 2009. However, the Deloitte report needs to be adapted for the findings of the final separation report by PwC between the Bank and New Kaupthing as a list of loans were identified which are to be transferred back to the Bank. Thus far only a draft form of the PwC report has been received. We have been informed that Deloitte will issue an amendment to its report to reflect these changes. Based on the FME decision the Bank and Morgan Stanley will subject to signing the relevant confidentiality agreements and hold harmless letters also be granted access to part II of the Deloitte report and a presentation is to be held by Deloitte on their reports with the opportunity for Q&A.

Moratorium and Winding-up Committee

The maximum time period for the moratorium is 24 months. According to a new Act no. 44/2009 amending Act no. 161/2002 on Financial Undertakings the moratorium can effectively end in three ways; i) a winding up process, ii) an insolvent liquidation or iii) a scheme of arrangement between the Bank and its creditors.

The reference to provisions governing the actions of a trustee under the Bankruptcy Act entail that the Resolution Committee has the capacity to manage the Bank's assets and it alone can dispose of its assets and answer for its obligations. The Resolution Committee acts for the Bank in court and executes agreements on behalf of the Bank as before. The Resolution Committee shall make sure that all assets are disposed of in the most efficient manner possible and shall enforce all claims owned by the Bank. The Resolution Committee furthermore takes such actions as necessary to prevent damage to the Bank.

On 25 May 2009, in accordance with a request from the Resolution Committee, the District Court of Reykjavik appointed a Winding-up Committee for the Bank in accordance with the recent amendments to the Act on Financial Undertakings. The Winding-up Committee comprises Olafur Gardarsson, the aforementioned Moratorium Supervisor, David B. Gislason, attorney to the District Court, and Feldis L. Oskarsdottir, attorney to the District Court. The role of the Winding-up Committee will be further discussed in chapter 6.5 The Winding-Up Committee.

The Winding-up Committee cannot influence the actions of the Resolution Committee nor can the Resolution Committee influence the work of the Winding-up Committee. Both are however committed to work together in the best interests of the Bank and its creditors.

The Winding-up Committee shall call upon any creditors and others, who maintain that they have a claim against the Bank to declare their claims to the Winding-up Committee. The Winding-up Committee shall furthermore handle the recognition of claims and setting the period and deadline



for filing claims. Such period can be six months long at maximum, counting from the day when a notice is published by the Winding-up Committee regarding the period and deadline for filing claims. The Winding-up Committee decides how creditors' claims are ranked in the order of priority of payment of claims.

The Winding-up Committee can also challenge and claim rescission of actions of the Bank in accordance with the rules on rescission in the Bankruptcy Act. This entails, with some simplification, that the Winding-up Committee can rescind certain unusual actions of the Bank which took place prior to 15 November 2008 and can claim damages or repayment from parties benefiting from such actions.

Full recovery

Several of the Bank's Swedish assets that were transferred to Kaupthing Bank hf. when Ålandsbanken Abp acquired Kaupthing's Swedish subsidiary, have to date been realized at a 100% recovery rate, implying that values of SEK 350m (EUR 33m) from the Swedish portfolio have already been secured. In addition, two loans in the Nordic region of a total of EUR 5.5m have been fully repaid; one after several bids below par had been rejected.

Kaupthing Edge Germany

The letters outlining the payment procedure have been sent to customers. In the letters, customers will have the opportunity to change their contact and account details. The Bank estimates that the German Postal service will be delivering the letter to each recipient no later than in the week starting 25 May. Further information and instructions will be posted on the Bank's websites as the matter progresses.

The Bank's operations

Since last October, the Bank's operations have grown steadily, mainly due to the size of the Bank's asset portfolio, the complexity of issues to resolve and very challenging external conditions. The asset management division is the largest division in the Bank. There are 23 employees in this division, 8 employees in legal counsel, 7 working in the creditor management team, 6 in finance in addition to a fair number of other professionals working on behalf of the Bank.

Information disclosure

As this report clearly shows, dealings with creditors are extensive and regulated. Since 9 October 2008, four meetings have been held with the ICC to discuss how things are progressing and to invite the creditors to express their views. The fifth meeting is scheduled to be held shortly. In addition weekly conference calls are held with the ICC.

The website, www.kaupthing.com, is a place where creditors, the media, authorities and other parties can access regular updated information about the Bank. Interested parties can send questions, read the latest announcements and updates and can keep abreast of the main developments since 9 October 2008. The next step is to improve user access and to enable users to subscribe to news stories and updated material. Since the site was launched in October 2008 there have been close to 830,000 visits by more than 280,000 users. Since November last year the Bank has responded to approximately 3,000 queries.