

## ***Kaupthing Singer & Friedlander (Isle of Man) Limited – Early Payment Scheme***

Following previous updates regarding the Isle of Man Government's Early Payment Scheme for Kaupthing Singer & Friedlander (Isle of Man) Limited (KSFIOM) depositors, we are pleased to confirm that the second Early Payment Scheme payment has now been received from the Government and will be credited to all affected bonds.

In respect of the first payment, each affected individual Royal Skandia bondholder received £1,000. However, that payment was capped at £1,000 per individual, meaning the holder of more than one KSFIOM-related bond was only entitled to a total of £1,000.

The second payment has been treated differently, in that it applies to each KSFIOM account held as opposed to each bondholder, and whilst it increases the amount returned up to £10,000 per account, it also means that holders of more than one KSFIOM account via Royal Skandia can now receive, in total, more than £10,000.

For example:

- An individual bondholder with KSFIOM exposure in a single account of £50,000 will have already received £1,000 and will now receive a further £9,000, reducing the KSFIOM exposure to £40,000.
- A joint bond with KSFIOM exposure in a single account of £50,000 will have already received £2,000 and will now receive a further £8,000, reducing the KSFIOM exposure to £40,000.
- An individual bondholder with KSFIOM exposure of £50,000 and £60,000 in two separate KSFIOM accounts will have already received £1,000. The bond will now receive two further payments of £9,000 and £10,000 (giving a total early payment of £10,000 per account).
- A joint Bond with KSFIOM exposure of £50,000 and £60,000 in two separate KSFIOM accounts will have already received £2,000. The bond will now receive two further payments of £8,000 and £10,000 (giving a total early payment of £10,000 per account).

Please also note that, as with the first payment, Royal Skandia has received the second payment in pounds sterling. If this differed from the originating currency of the bond we have converted the sterling amount back to the relevant currency at the rate of exchange utilised by the scheme and, as before, allocated the payment to the cash account of the affected bond.

For future reference we are reviewing the options for non-sterling bonds upon receipt of Scheme of Arrangement (SoA) or liquidation distributions, and will write separately to affected bondholders explaining their options when either the SoA or liquidation is finalised.

Finally, it is important to note that the Early Payment Scheme represents an advance of the return that will be achieved when KSFIOM is ultimately placed into formal liquidation or becomes subject to the SoA. Therefore, the £10,000 paid now is only an early payment of any future distribution for KSFIOM creditors and

future distributions, when received, will be reduced by the amount already paid early via the Government's scheme. For example:

- A bond with an initial KSFIOM exposure of £80,000 has received an early payment of £10,000, reducing the KSFIOM liability to £70,000. A distribution to KSFIOM creditors of 12.5% is subsequently agreed amounting in this case to £10,000. However, the bond will not be credited with this sum as £10,000 has already been received via the Early Payment Scheme. Any future distributions will, however, be allocated in full as all early payments have now been absorbed.
- A bond with an initial KSFIOM exposure of £100,000 has received early payments of £10,000, reducing the KSFIOM liability to £90,000. A distribution to KSFIOM creditors of 12.5% is subsequently agreed, amounting in this case to £12,500. However, the bond will only be credited with £2,500 as £10,000 has already been received via the Early Payment Scheme. Any future distributions will, however, be allocated in full as all early payments have now been absorbed.
- A bond with an initial KSFIOM exposure of £50,000 has received early payments of £10,000, reducing the KSFIOM liability to £40,000. A distribution to KSFIOM creditors of 12.5% is subsequently agreed, amounting in this case to £6,250. However, the bond will not be credited with this sum as £10,000 has already been received via the Early Payment Scheme. Any future distributions will be similarly treated until the £10,000 threshold is reached, at which point any future distributions will be allocated in full as all early payments have now been absorbed.

We trust this has clarified the position regarding early payments, however if you have any queries on this or any other KSFIOM-related matter we would recommend you firstly refer to the Isle of Man Government's website [www.gov.im/cso/faq\\_gfs.xml](http://www.gov.im/cso/faq_gfs.xml) (where full details of the Early Payment Scheme can be found) or, alternatively, contact our dedicated customer helpdesk at [RSKFMCustomerHelpdesk@RoyalSkandia.com](mailto:RSKFMCustomerHelpdesk@RoyalSkandia.com).