
Creditors' Report **Update Meeting**

- 2009 year-end figures -

London, 15 March 2010

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KAUPTHING BANK

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Welcome Address & Introduction

- No legal obligation to provide information other than the information which it is obliged to provide by law at open creditors' meetings at the end of each moratorium period
- The Resolution Committee at its own initiative calls for this informal meeting which is open for all creditors
 - It is not a part of the winding-up process of the Bank handled by the Winding-up Committee
- The only purpose of the meeting is to go through the highlights of the March update of the creditors report and clarify certain areas of interest to creditors based on submitted questions
 - Series of meetings undertaken to present the bank's matters on a regular basis to all creditors
 - Information provided well beyond any legal obligations
 - Solely part of continuous efforts to step up relations with public creditors
- To ensure this meeting is concise and informative, all creditors were given an opportunity to submit questions in advance and before the deadline
 - Gives us the opportunity to prepare as clear and concise answers as possible
 - Each chapter includes a summary of the questions covered and then answers provided during the presentation
 - Questions should be focused on the March report's update
- ***No questions will be allowed during or after the presentation***
- ***We will not be addressing questions on topics that do not relate to the report update from last week. Other questions have been noted and may be addressed in later updates, meetings and in the Q&A section on the Bank's website in due course***

■ Milestones:

- Completed the stabilization of the Bank's asset base and securing operations
- Negotiations on Arion Bank and their completion on 1 December 2009
- Extensive restructuring of the loan portfolios in active asset management
- Taking actions where necessary to secure assets and maximize recovery in the NOA portfolio

■ Results:

- Successful retrieval of assets and consolidation of asset base
- Restructuring of the non-performing assets in the Nordic and the Europe loan portfolio largely completed
- Value of unpledged assets net of known claims for estate admin and known priority claims increased by ISK 214bn in 2009
- Total operating cost in 2009 was 0.27% of total assets, despite cost due to forensic investigation
 - Most efficient of the old banks in Iceland
 - Only 2% of the value increase in the year 2009
 - Fees generated from the loan portfolio cover the costs of running the asset management division

■ Focus in 2010:

- Continue to develop the optimal solution for each asset and thereby maximize recovery value for the creditors of the Bank
- Special emphasis will be placed on value creation of equity positions

- Formal claim process is ongoing - the deadline for filing claims expired on 30 December 2009.
- According to Act 161/2002 on Financial Undertakings, the Winding-up Committee is charged with the responsibility of evaluating the legal grounds and basis for the claims that were filed, their ranking as well as evaluating the amount payable in respect of each claim.
- It therefore falls outside the scope of the responsibilities given to the Resolution Committee by the same Act to provide information on the liabilities of the Bank.
- It follows from the above that any work done and information provided on the liabilities of the bank after the date for the filing of claims has expired could be perceived as intervention in the formal claims process as an opinion on the liabilities side of the accounts can't be formed at this point in time in isolation from the actual claims filed.
- Any opinion voiced by the Resolution Committee in connection to the liabilities of the bank could thus prejudice the formal claims process which as previously stated rests with the Winding-up Committee.

Overview of the Bank's Asset Base

Overview of the Bank's Asset Base (in ISKm)

Assets	31.12.2009	30.06.2009	31.12.2008
Cash in hand	176.066	98.799	77.963
Loans to and claims against credit institutions	323.267	442.923	522.714
Loans to customers	450.948	439.521	337.023
Bonds and debt instruments	63.025	119.064	115.931
Shares and instruments with variable income	178.379	214.600	161.851
Derivatives and unpaid derivatives	239.017	246.073	233.862
Investments in subsidiaries	141.626	135.562	129.464
Other assets	7.540	9.102	13.361
Total assets	1.579.868	1.705.644	1.592.169

All amounts in ISKm. FX currency tables can be found in appendix.

Overview of the Bank's Asset Base (in ISKm)

- Balance sheet net of pledged assets and known claims for administration of the estate and known priority claims – estimated netting effects due to derivatives fully taken into account:

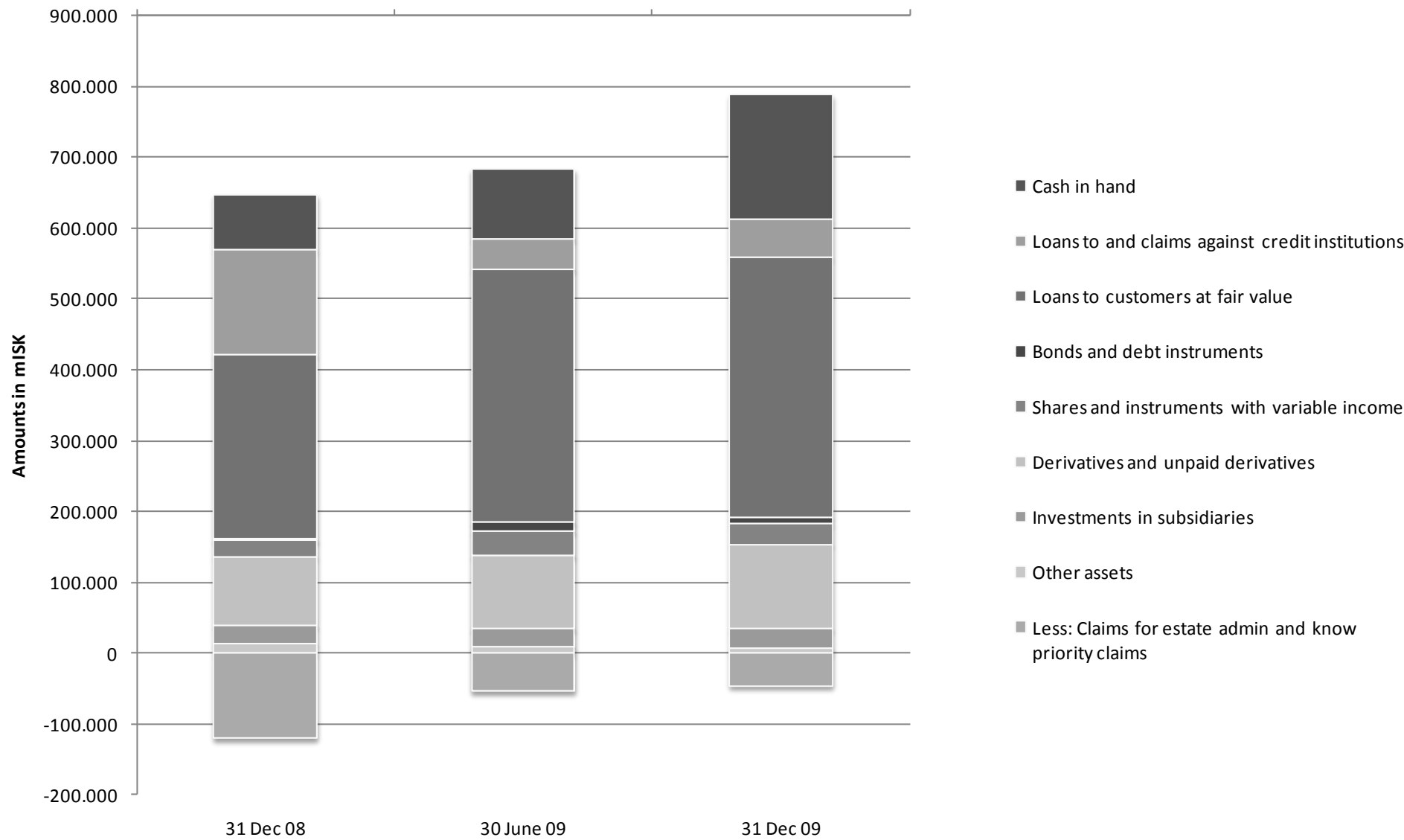
Assets	31.12.2009	30.06.2009	31.12.2008
Cash in hand	176.066	98.799	77.963
Loans to and claims against credit institutions	53.481	42.899	148.548
Loans to customers at fair value	366.894	357.259	259.666
Bonds and debt instruments	9.539	12.344	2.652
Shares and instruments with variable income	28.849	35.055	23.203
Derivatives and unpaid derivatives	118.813	102.556	96.626
Investments in subsidiaries	27.276	26.077	25.707
Other assets	7.540	9.102	13.361
Total assets.....	788.458	684.091	647.726
Claims for administration of the estate and known priority claims...	-45.545	-53.022	-119.055
Total assets	742.913	631.069	528.671

- ***Collateral corresponding to derivatives has been subtracted in the numbers above, also on approximate basis in 30.6.2009 and 31.12.2008, but has in previous accounts been described in text accompanying this note***

All amounts in ISKm. FX currency tables can be found in appendix.

Development of Total Assets (in ISKm)

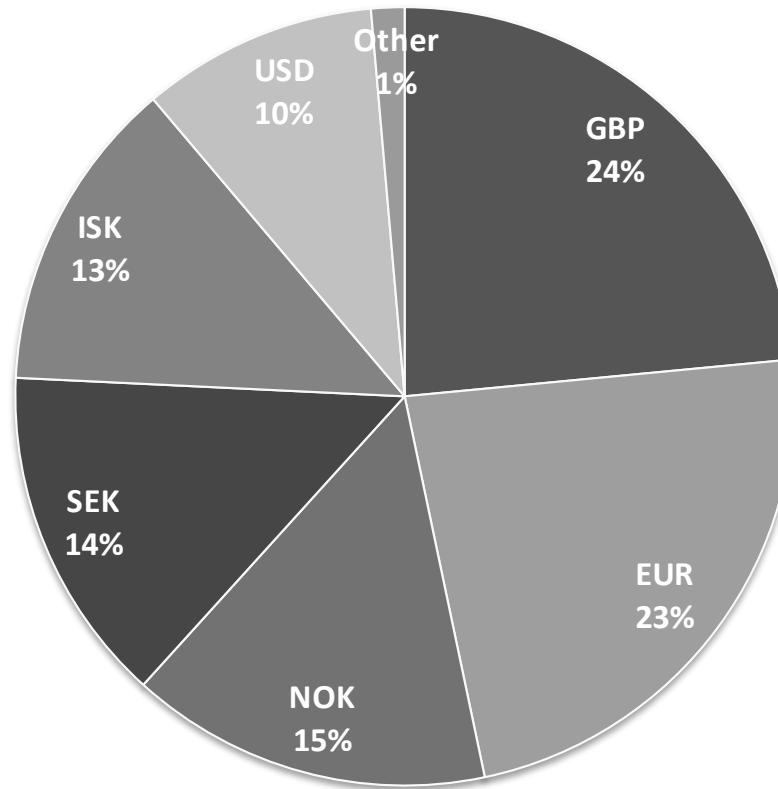
■ Assets shown net of pledged positions and for administration of the estate and known priority claims, estimated netting effects due to derivatives taken into account:



All amounts in ISKm.

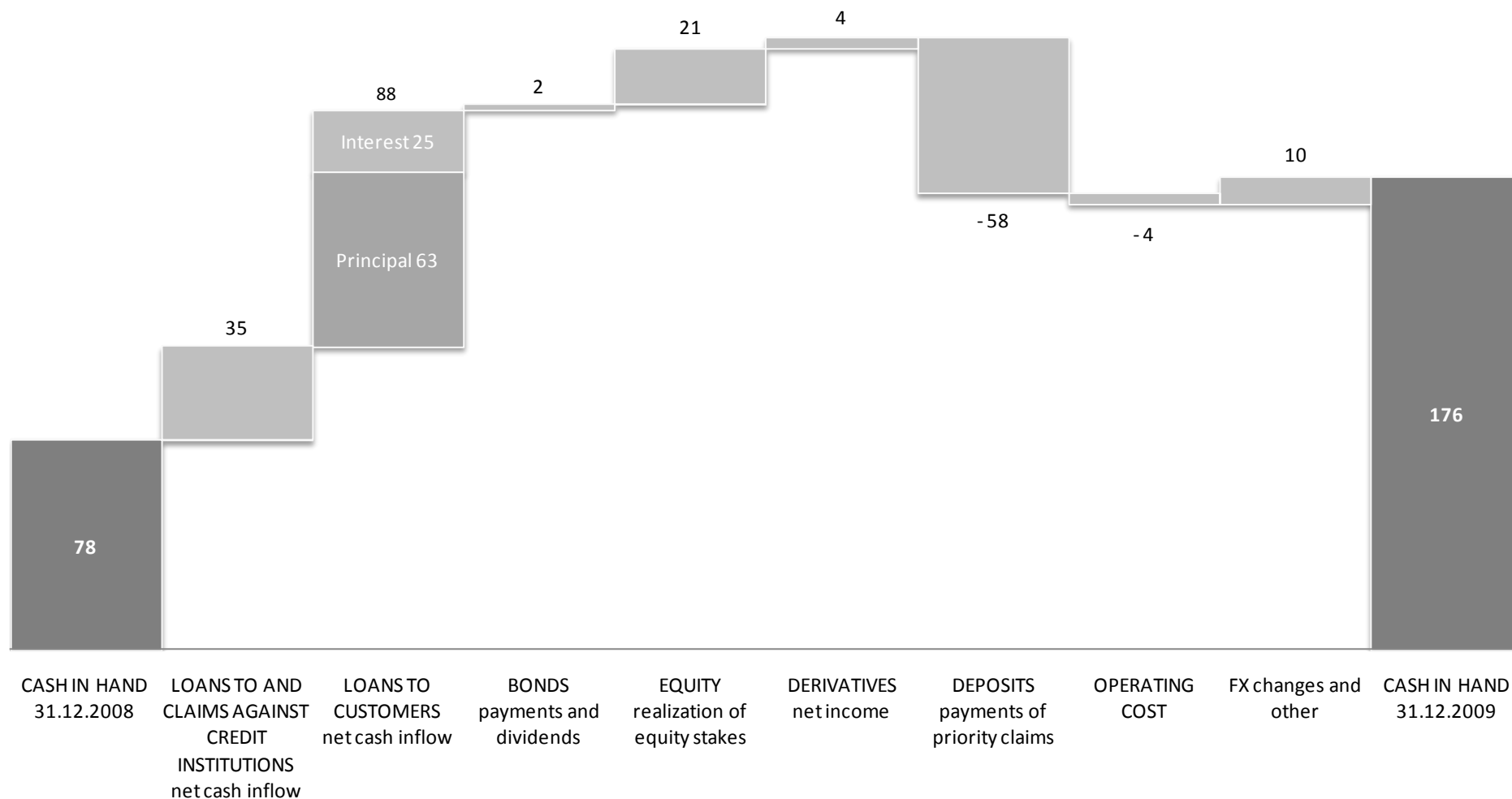
Cash in Hand

- Cash in hand amounted to ISK 176.066 million at YE 2009
 - increased by ISK 98.103 million in 2009
- Breakdown of cash in hand by currency is shown below



- Explain the main factors behind cash increase in the year 2009
 - Answers provided on the next slide: Cash in Hand – Further Details on Cash Reserve Development
- Provide breakdown between repayments and interest received on Loans to Customers
 - Answers provided on the next slide: Cash in Hand – Further Details on Cash Reserve Development
- Explain the difference between principal repayments and interest payments proceeds from Loans to Customers of ISK 88bn in note 2 and the net proceeds from Loans to Customers of ISK 95bn in note 5
 - The difference is due to approx. ISK 7 billion cash inflow from the Pledged portfolio which the Bank was contractually obligated to pass on to the Icelandic Central Bank to which the portfolio was pledged. This cash in- and outflow has been netted in note 2 on Cash in Hand

Cash in Hand – Further Details on Cash Reserve Development



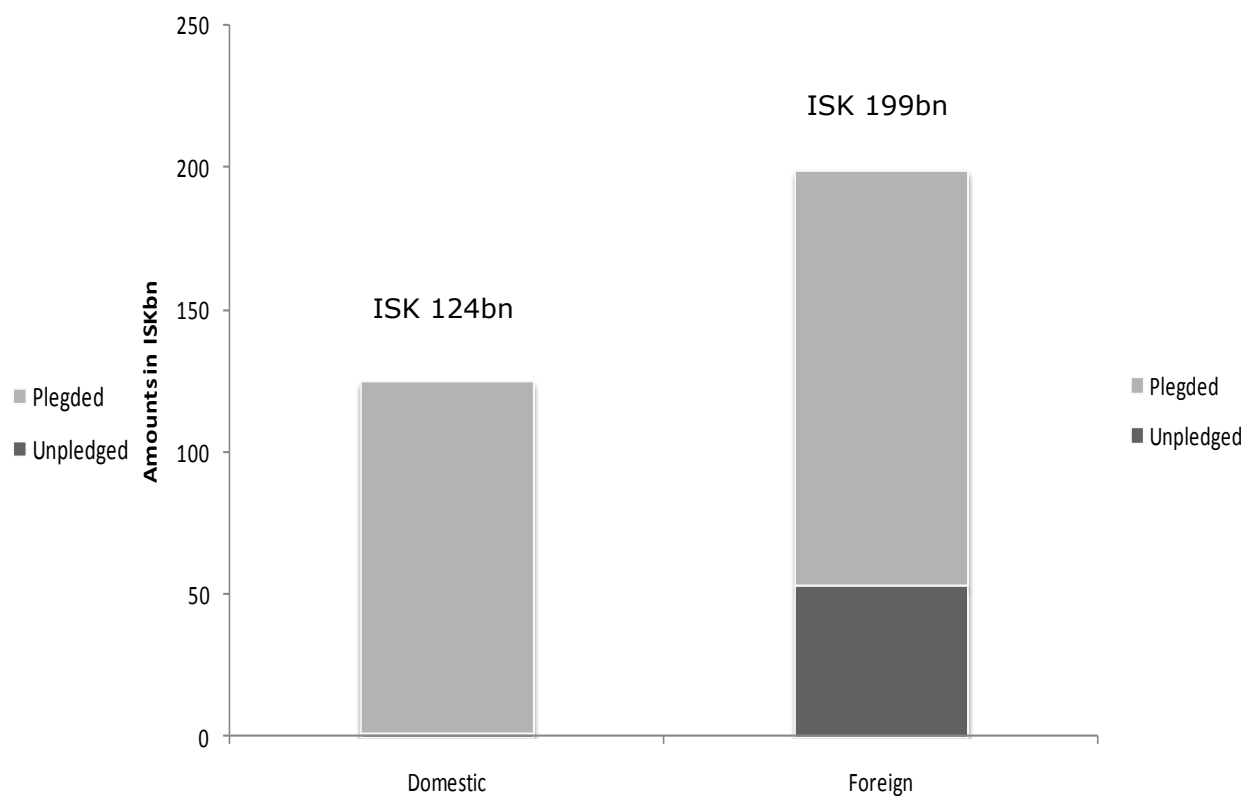
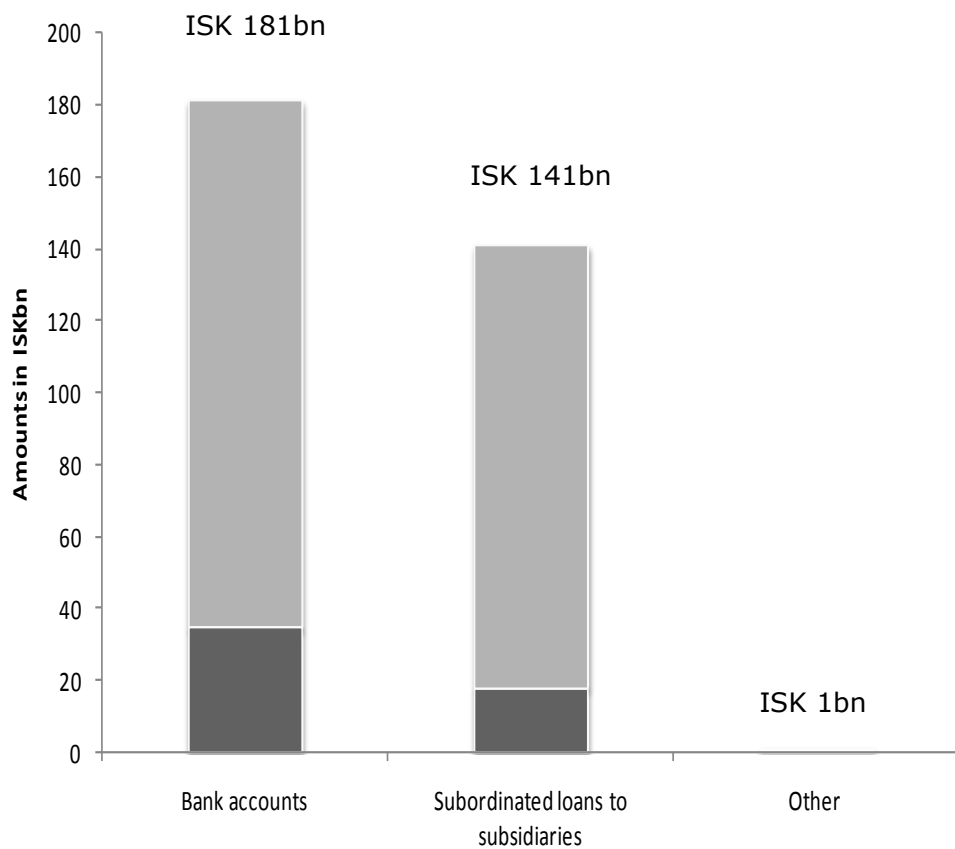
Net cash inflow: net principal repayments and interest payments adjusted for contractual cash outflow on pledged positions.

The bridge chart above is put forth for illustrative and informational purposes only and can include simplification, rounding and/or combination of various underlying figures. The bridge chart must thus be construed in context with other information provided by the Bank. All amounts in ISKbn.

Loans to and Claims against Credit Institutions

Loans to and Claims against Credit Institutions

- Loans to and Claims against Credit Institutions amounted to ISK 323.267 million at fair value as at YE 2009
- Breakdown of Loans to and Claims against Credit Institutions is shown below



- Reason for the decrease in bank accounts and pledged positions since June 2009
 - The decrease is due to higher provision levels and netting against borrowings
- Explain the increase in unpledged frozen bank accounts. Are these bank accounts that weren't accounted for previously?
 - The reason for this increase is two-fold:
 - 1) Open unexplained positions in bank accounts that were previously accounted for in Other Assets but have now been connected to individual bank accounts and hence, those positions have now been reclassified from Other Assets to Loans to and Claims against Credit Institutions - Bank Accounts.
 - 2) FX fluctuations since the vast majority of these accounts is denominated in foreign currency.
- Who are bank accounts pledged to?
 - The pledged bank accounts represent to a large extent collateral posted under derivative trades and repurchase agreements. Thus, they are pledged to mainly international banks and financial institutions that dealt with the Bank prior to the collapse
- Assets recovered from Kaupthing Bank Sweden. What's the total amount?
 - Detailed discussion on page 40 of the Creditors' Report – March Update
- Who are the subordinated loans and the equity in Kaupthing Mortgage Institutional Investor Fund pledge to?
 - The subordinated loan and the equity of KMIIF is not pledged to any counterparty, but its subject to set-off and therefore accounted for as pledged
- Does Kaupthing Mortgage Institutional Investor Fund (KMIIF) release any public reports?
 - KMIIF does not release any public reports, but a prospectus was published when Kaupthing issued the covered bonds initially

Loans to Customers

- Loans to customers amounted to ISK 1.373bn at carrying value and to ISK 451bn at fair value as at 31 December 2009

- The portfolio is divided into four portfolios:

- 1) Nordic portfolio: ISK 152bn at fair value
 - The vast majority of loans to customers in the Nordic region
- 2) Europe portfolio: ISK 176bn at fair value
 - The vast majority of loans to customers in other European countries

The Nordic and Europe portfolios are actively managed by the asset management team and the vast majority of the stakes in these portfolios have underlying operations or assets

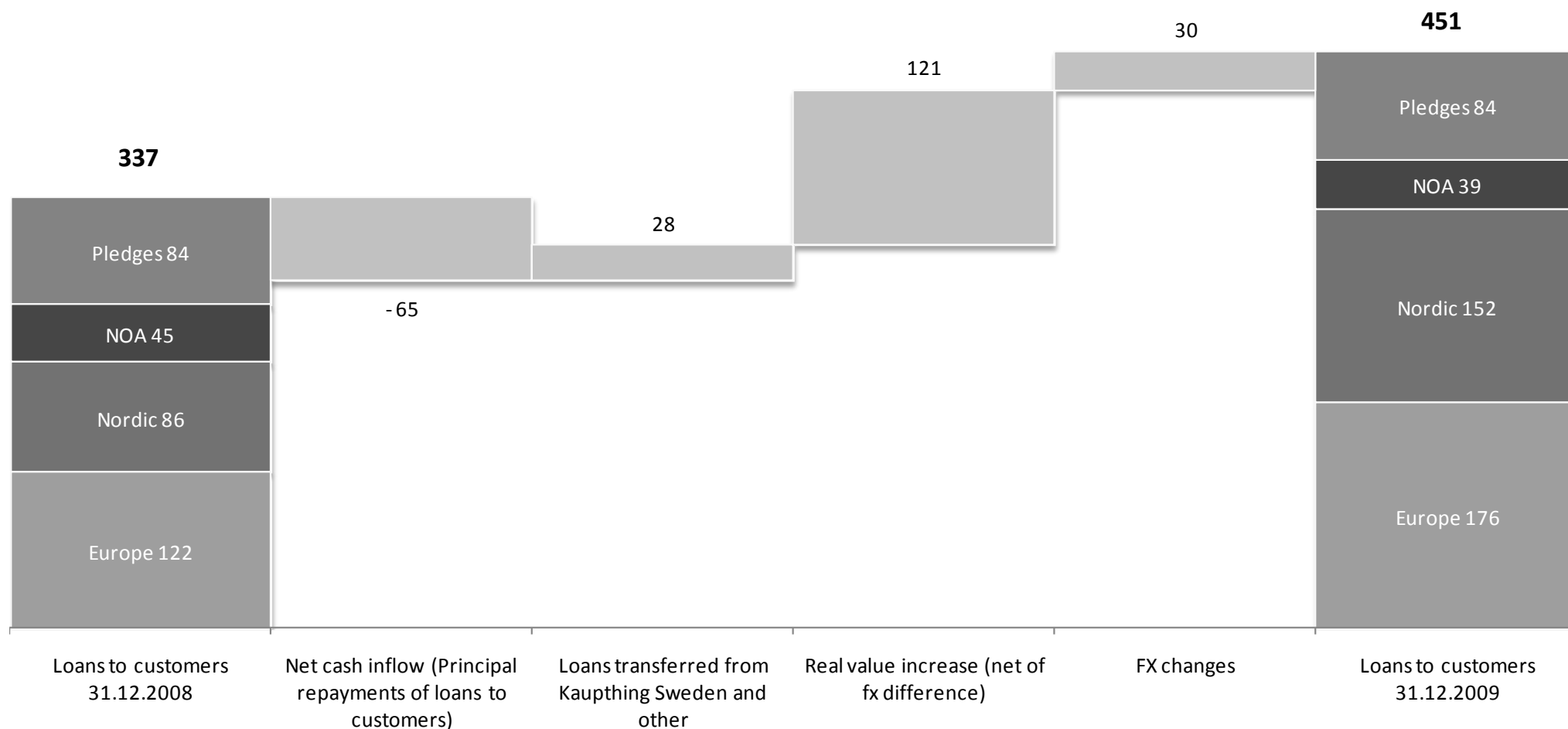
- 1) NOA portfolio: ISK 39bn at fair value
 - Mainly non-operating assets. The loans in the NOA portfolio are under the supervision and management of the Inspection Committee and undergo thorough revision by the Committee
- 2) Pledged: ISK 84bn at fair value
 - Includes a portfolio of ISK mortgage loans, FX mortgage loans and loans to Icelandic municipalities, organisations and other government related entities, which had previously been pledged by the Bank to the CBI. In January 2010, when the equity injection into Arion Bank was executed, the assets of this pledged portfolio were injected into Arion Bank and are therefore not part of Kaupthing parent company accounts going forward

- Breakdown of pledged assets in loans to customers by sector and geography. Does this amount strictly relate to individuals and real estate in Iceland? What are the relevant asset classes of the pledged assets?
 - Answers provided on the previous slide: Loans to Customers Portfolio – Overview
- The Nordic portfolio: does this primarily relate to the assets transferred from the Swedish, Norwegian and Finnish subsidiaries?
 - Answers provided on slide: Loans to Customers – Breakdown by Geography
- What is the cause of the decrease in expected recovery (Fair value as % of Carrying Value) from Iceland?
 - Answers provided on slide: Loans to Customers – Additional Observations
- Provide a bridge of loans to customers for year 2009.
 - Answers provided on slide: Loans to Customers – Bridge at Fair Value
- Provide the carrying value breakdown by sector as at 31 Dec 09
 - Answers provided on slide: Loans to Customers – Breakdown by Sectors as at YE 2009

- Is the fair value breakdown by sector for June 2009 consistent (i.e. like-for-like) with the Carrying value breakdown by sector shown on the June 09 balance sheet?
 - Sector breakdown as at 30.06.2009 has been amended to facilitate comparison between periods since different methodology was applied in that period compared to year end figures 2008 and 2009. The same methodology is applied across the three different periods. Hence, the numbers in note 7 of the Creditors' Report are now directly comparable.
- Provide breakdown of the pledged amount by portfolio (Nordic, Europe and NOA) for June 2009 for both the carrying Value and fair Value?
 - Answers provided on slide: Loans to Customers – Breakdown by Portfolio as at YE 2009
- Loans to customers from Scandinavia: Does this primarily relate to the assets transferred from the Swedish, Norwegian and Finnish subsidiaries?
 - Answers provided on slide: Loans to Customers – Breakdown by Geography as at YE 2009
- What do the assets transferred from the Swedish, Norwegian and Finnish subsidiaries consist of?
 - Answers provided on slide: Loans to Customers – Breakdown by Geography as at YE 2009
- Loans to customers from Iceland: Does this primarily relate to the assets transferred from Arion Bank?
 - Answers provided on slide: Loans to Customers – Breakdown by Geography as at YE 2009
- Other Loans to Customers: Provide a breakdown between Europe, US and Rest of the World.
 - Answers provided on slide: Loans to Customers – Breakdown by Geography as at YE 2009
- Why have the top 10 loans to customers changed? Is this due to the repayments?
 - Answers provided on slide: Ten Largest Loans to Customers by Sector and Country at Fair Value YE 2009

- Provide an update on the restructuring process and any major agreements reached
 - Answers provided on slide: Europe and Nordic Portfolios – Performance
- Explain the increase of European loans on watch list?
 - Answers provided on slide: Europe Portfolio at Carrying Value - Performance
- Why is Mosaic and NoHo Square excluded?
 - Answers provided on slide: Europe Portfolio at Carrying Value – Performance
- Breakdown of principal and interest during 2009
 - Answers provided on slide: Loans to Customers – Past Cash Flow Analysis

Loans to Customers – Bridge at Fair Value



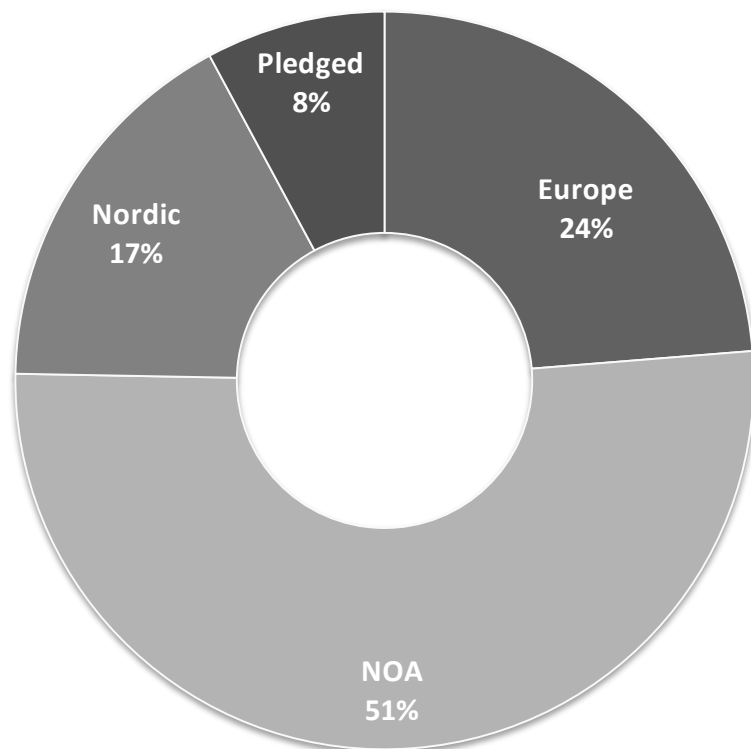
- Net principal repayments amounted to ISK 65bn. Interest payments (not included above) amounted to ISK 30bn
- Net principal repayments + interest payments + real value increase = ISK 216bn, amounting to 64% of loans to customers as at 31 December 2008.

The bridge chart above is put forth for illustrative and informational purposes only and can include simplification, rounding and/or combination of various underlying figures. The bridge chart must thus be construed in context with other information provided by the Bank. All amounts in ISKbn.

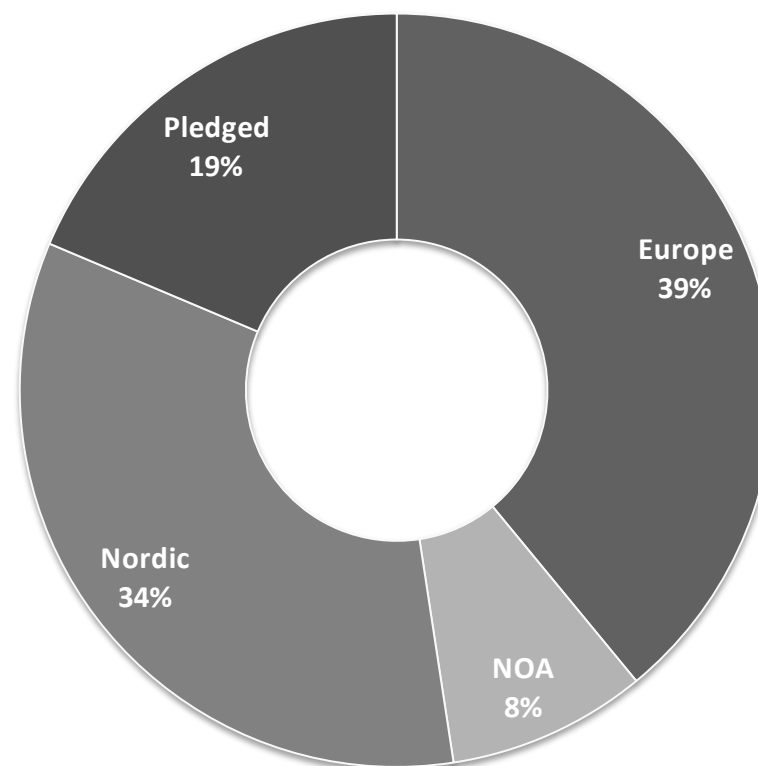
Loans to Customers – Breakdown by Portfolio

- Loans to customers amount to ISK 451bn at fair value and to ISK 1.373bn* at carrying value, i.e. notional value including accrued interests
- Breakdown of the total loans to customers portfolio are shown on the following slides
- The pledged positions are accounted for in the pledged portfolio, and therefore, no pledged positions are in Europe, Nordic or NOA portfolios

Carrying value



Fair value



* At least ISK 65bn foreseeable write-offs in the carrying value in 2010 in loans to customers

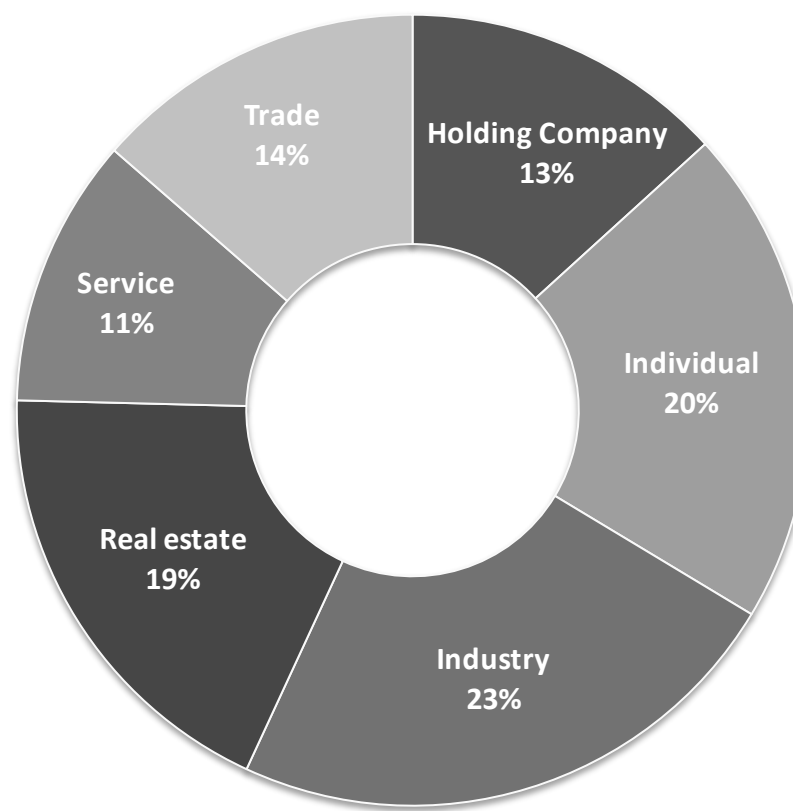
Loans to Customers – Breakdown by Sectors as at YE 2009

■ The breakdown below is based on the aggregate loans to customers portfolio, i.e. Europe, Nordic, NOA and Pledged

Carrying value



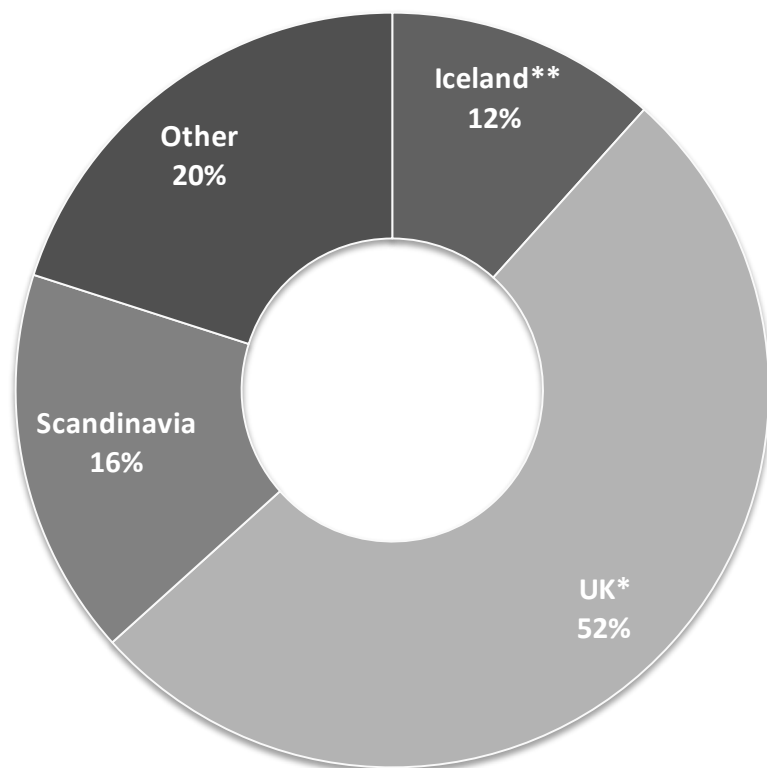
Fair value



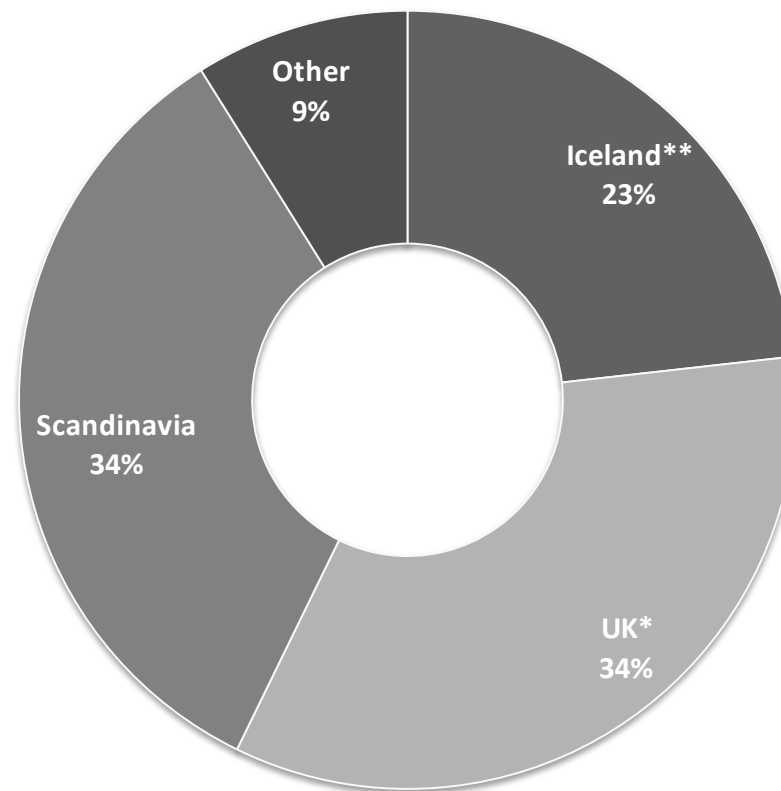
Loans to Customers – Breakdown by Geography as at YE 2009

■ The breakdown below is based on the aggregate loans to customers portfolio, i.e. Europe, Nordic, NOA and Pledged

Carrying value



Fair value



Geography - other	Carrying value
Rest of Europe	15,9%
USA	3,2%
Rest of the world	0,9%
Total - other	20,0%

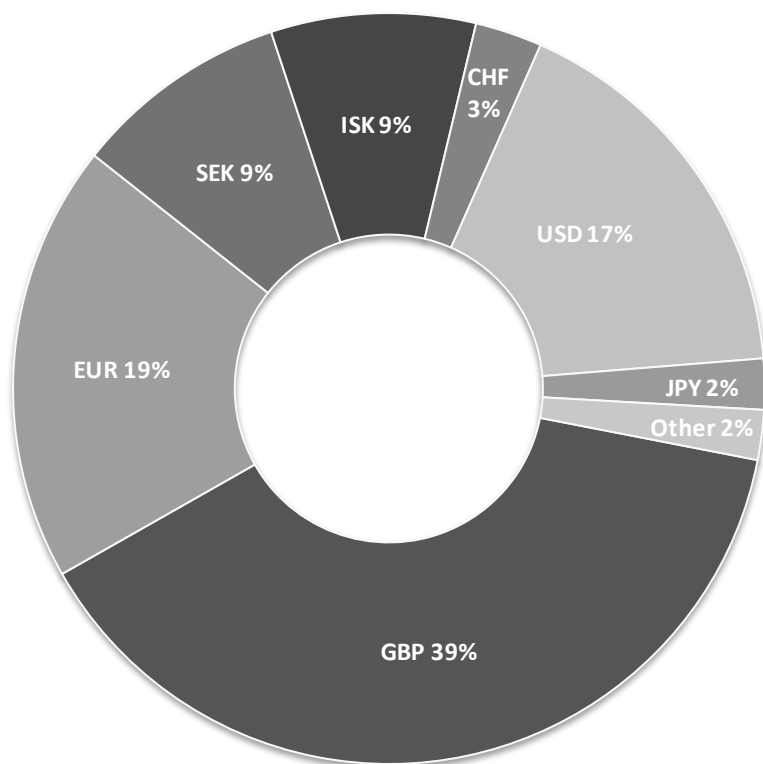
*UK includes UK overseas territories and Crown dependencies

** Mainly assets in the pledged portfolio which has been now transferred to Arion Bank as part of its capitalization

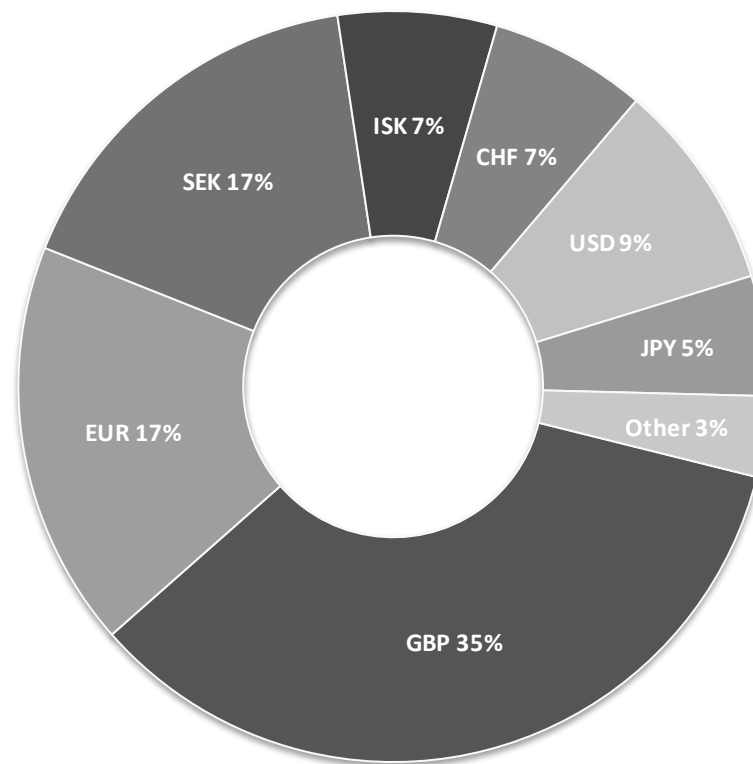
Loans to Customers – Breakdown by Currency YE 2009

■ The breakdown below is based on the aggregate loans to customers portfolio, i.e. Europe, Nordic, NOA and Pledged

Carrying value



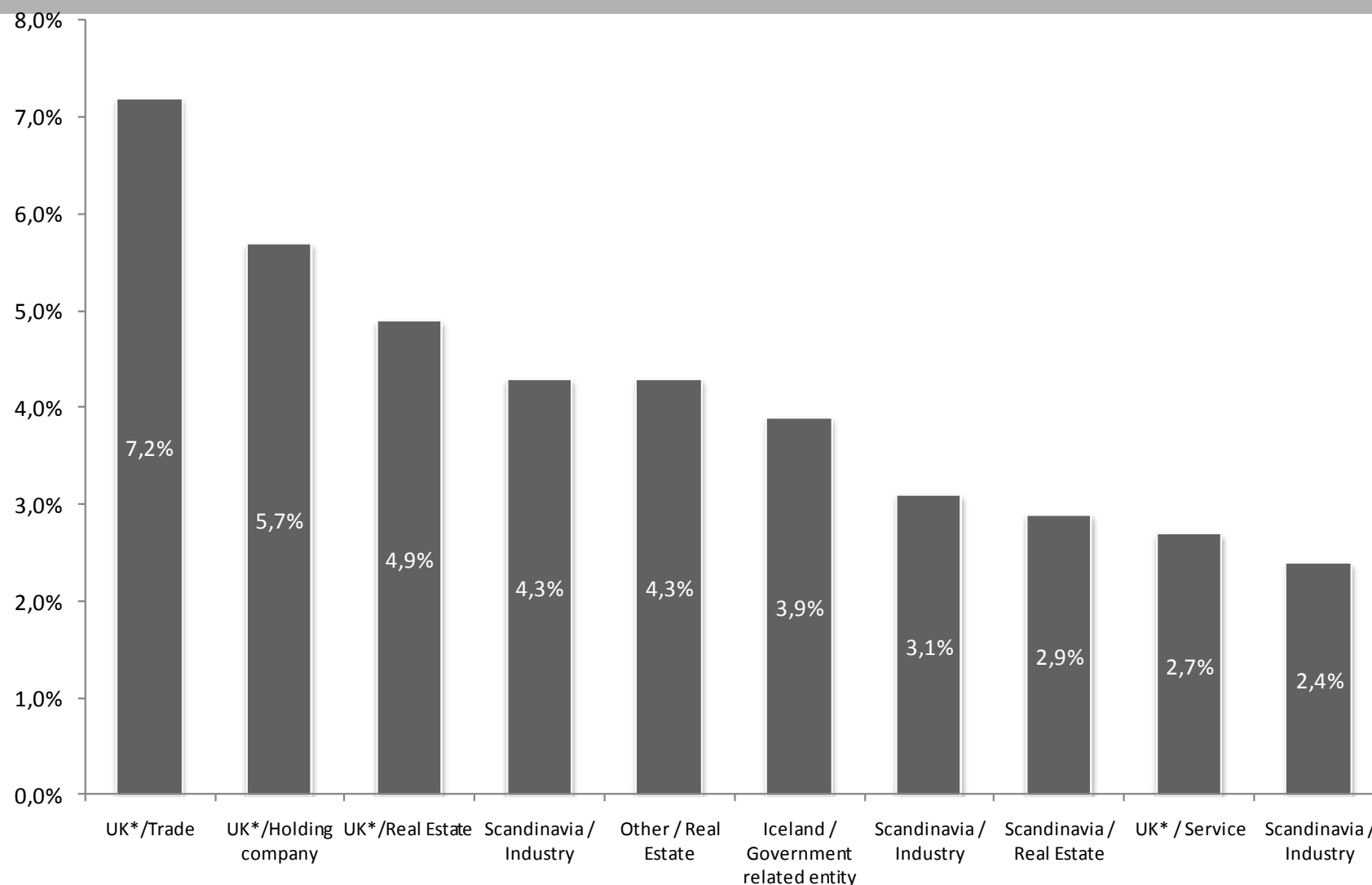
Fair value



Ten Largest Loans to Customers by Sector and Geography at Fair Value YE 2009



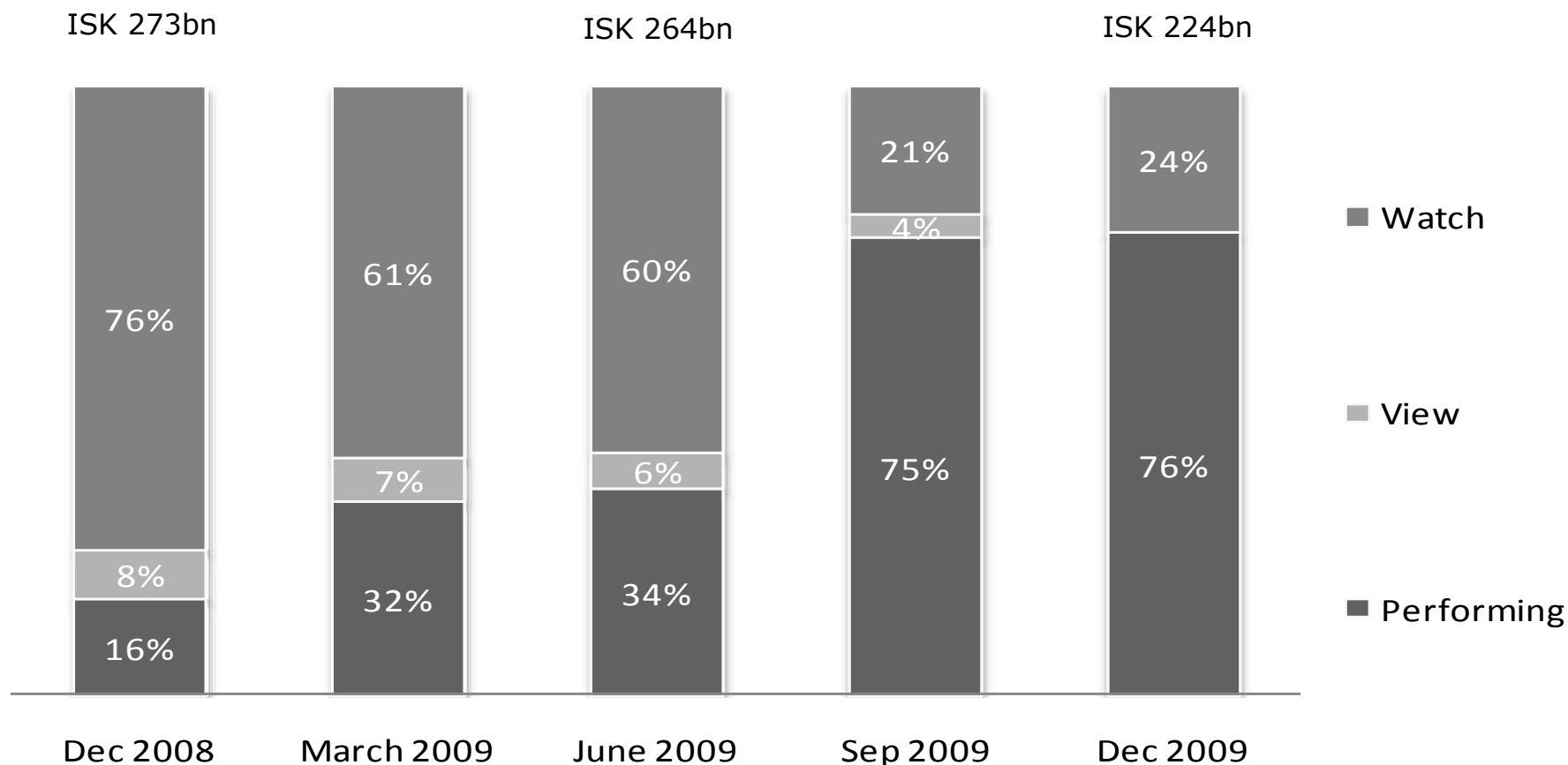
KAUPTHING BANK



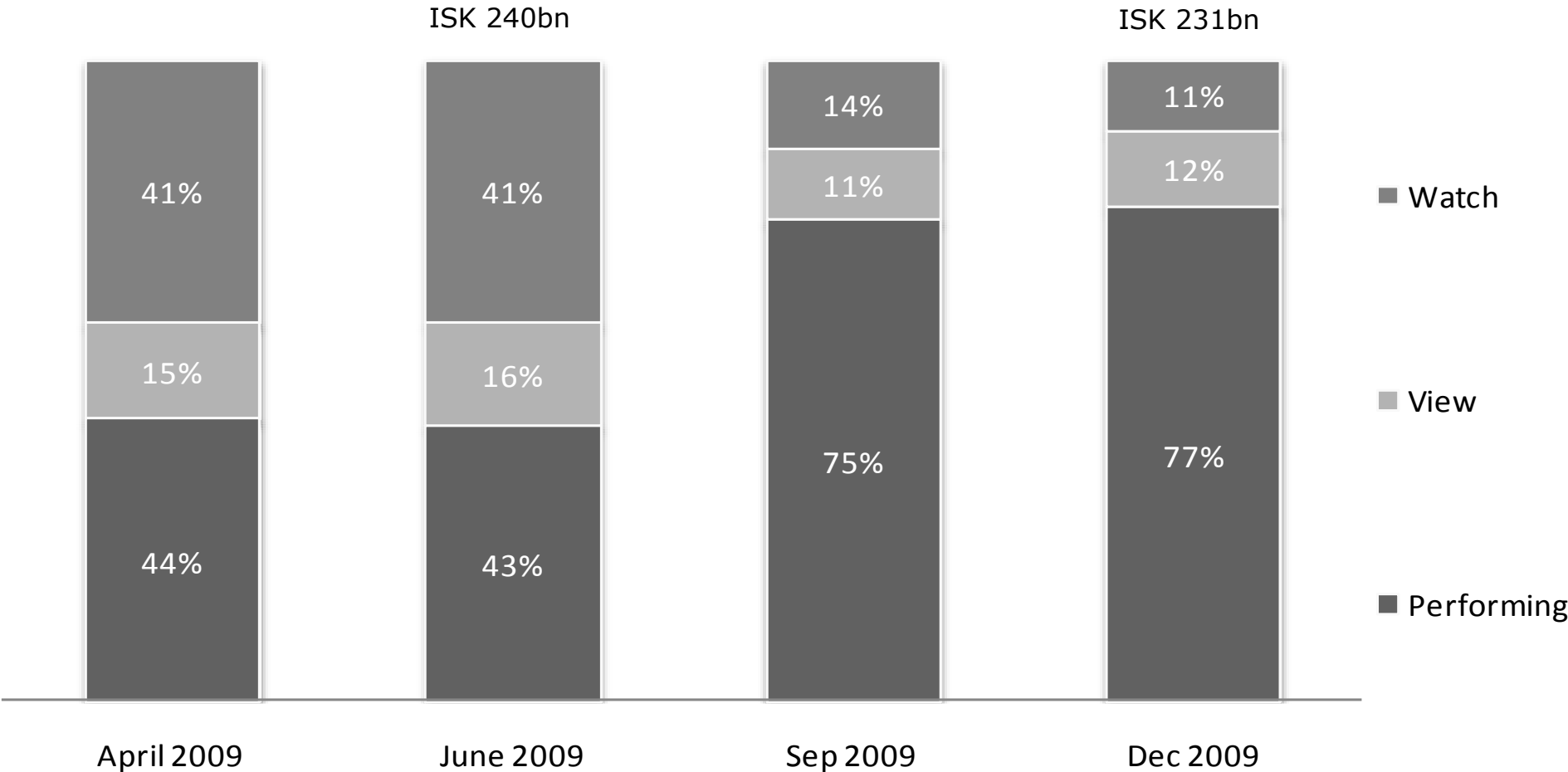
- The ten largest loans to customers represent 41,4% of the total fair value of the loans to customers portfolio
- The main reasons for the change in ten largest loans to customers is due to, e.g. reclassification, repayments, debt-to-equity swaps and in some cases consolidation of some loan structures

*UK includes UK overseas territories and Crown dependencies

Europe Portfolio at Carrying Value - Performance



- The Europe portfolio excludes post restructuring debt which is still on Mosaic Fashions (in administration since March 2009) and the Bank's financing of NoHo Square (real-estate development) where the Bank has also all the equity
- For definition of watch, view and performing, see note 11 in the Creditors' Report
- "Zero value assets" transferred to Kaupthing in Q4, further defined on slide 32, explain the increase in the watch list between Sept 2009 and Dec 2009.



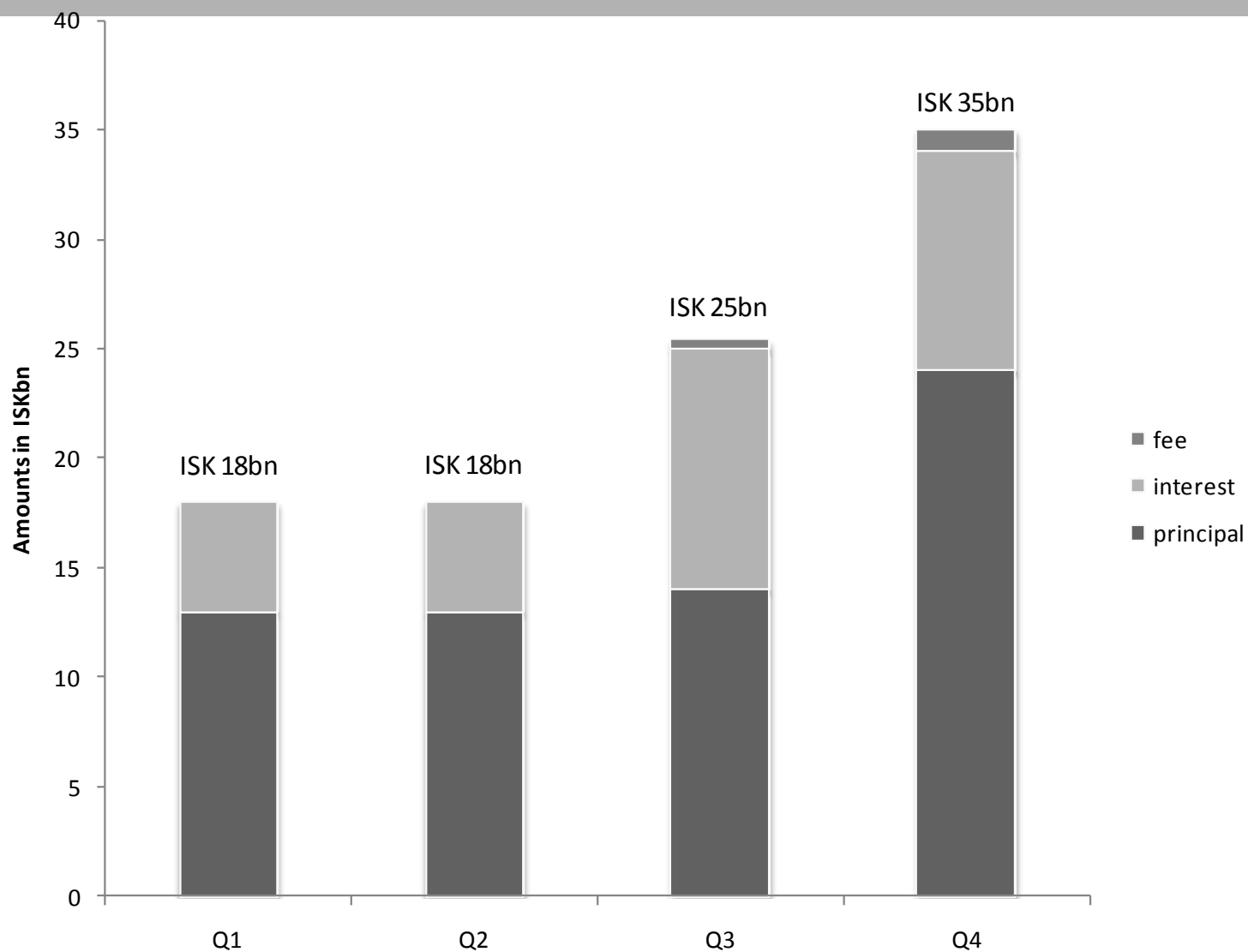
■ For definition of watch, view and performing, see note 11 in the Creditors' Report

- The increase in performance in 2009 is mainly driven by the restructuring work, active management and improved market conditions
- The carrying value of the loans to customers has been reduced in accordance with the debt-to-equity conversion
- Debt to equity conversion in 2009 amounts to ISK 81bn:
 - ISK 80bn in the Europe portfolio
 - ISK 1bn in the Nordic portfolio
- No write down has taken place*. For practical and technical reasons the carrying value is still in our systems
 - In the last quarter of 2009 certain so called “Zero Value Assets” were transferred back to the Bank from Arion Bank as part of the capitalization agreement. These assets had low fair value ascribed to them and sometimes high carrying value. The transfer of the Zero Value Assets back to the Bank was a part of the overall aim of the Resolution Committee to make sure that value of all assets was being maximised. Large part of these assets were Icelandic, hence increases the carrying value of Icelandic loans.

* At least ISK 65bn foreseeable write-offs in the carrying value in 2010 in loans to customers

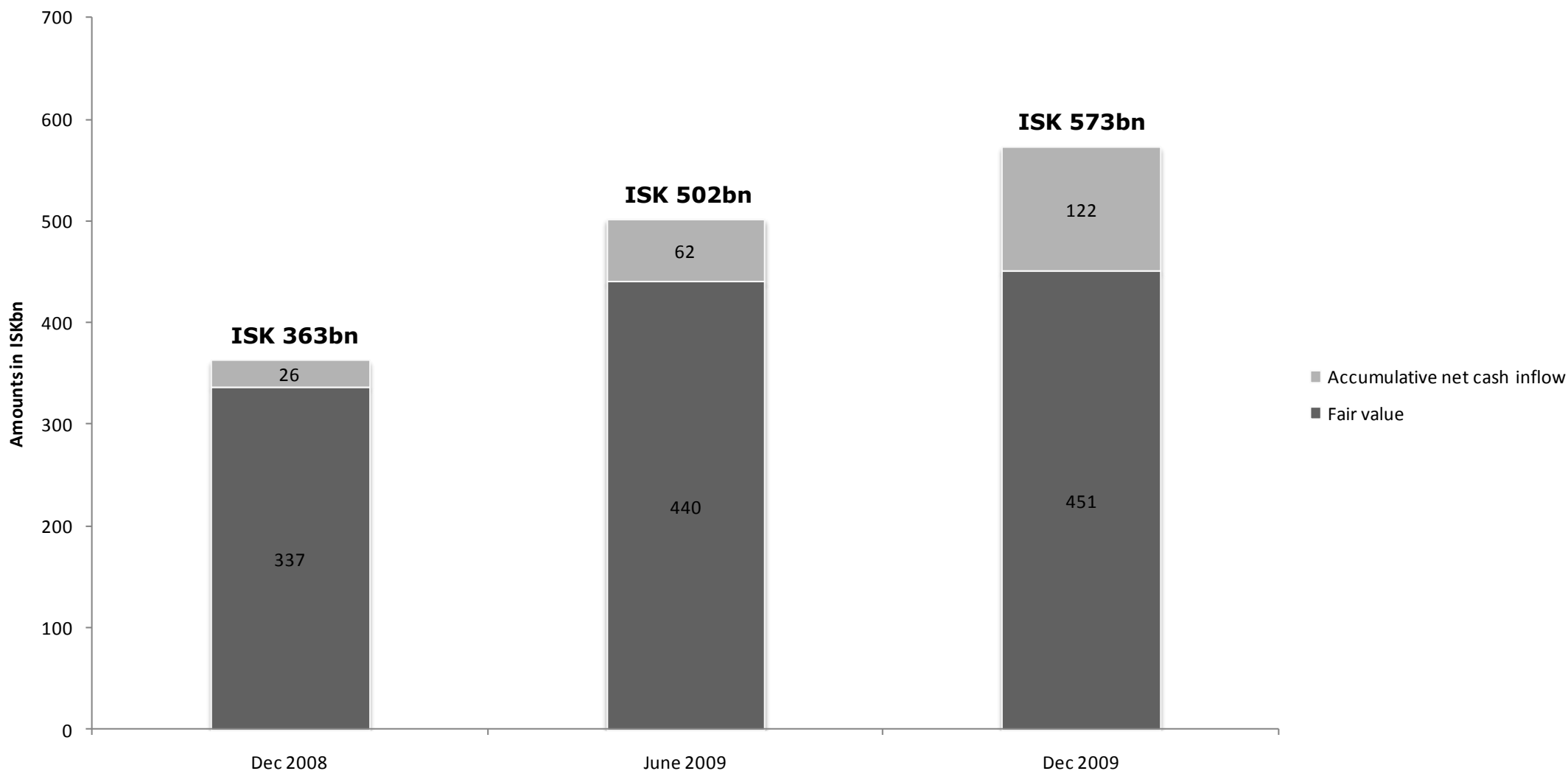
- In 2009, 26 loans were realised with a total cash flow amounting to approximately ISK 40.1bn (carrying value ISK 41.2bn), thereof 24 loans were paid in full amounting to approximately ISK 33bn. The other two loans were partially repaid amounting to approximately ISK 7bn
- The loans which sold somewhat below par in 2009 were:
 - One at marginal discount
 - Loan sold in the spring for a price significantly higher than otherwise perceived market value. The company had been under strain and performing poorly
- **The total weighted recovery value of realised loans in 2009 is 97%**

Loans to Customers – Past Cash Flow Analysis



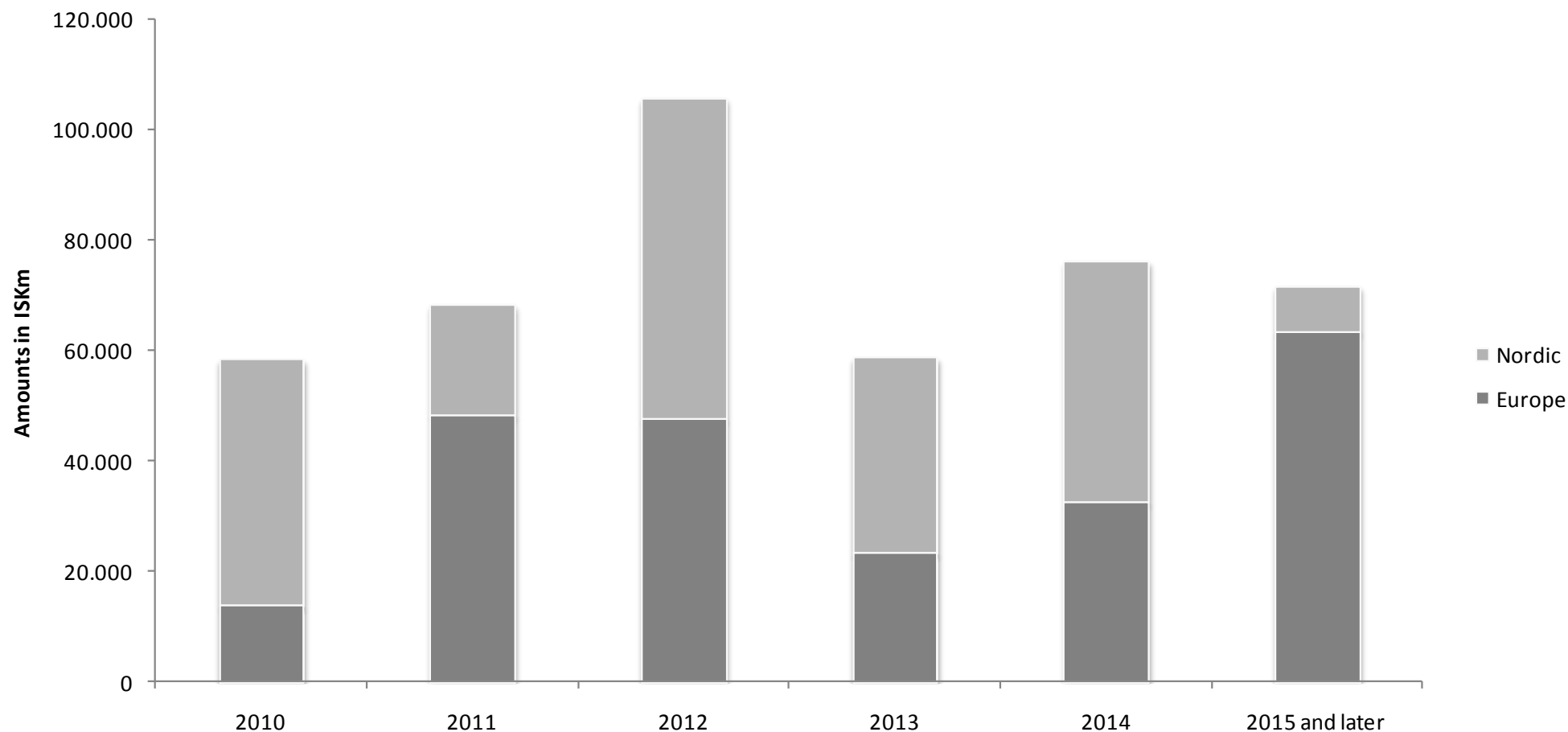
- Fees generated from loans to customers in 2009 amounted to ISK 1.3bn; approximately 1/3 of the Bank's total operating cost
- Past cash flow is converted to ISK as at 31.12.2009

Loans to Customers – Fair value and Accumulative Net Cash Inflow



- Cash inflow from the loans to customers portfolio
- Accumulated net cash inflow: net principal repayments, net interest payments and fee income accumulative since October 2008 is converted to ISK as at 31.12.2009

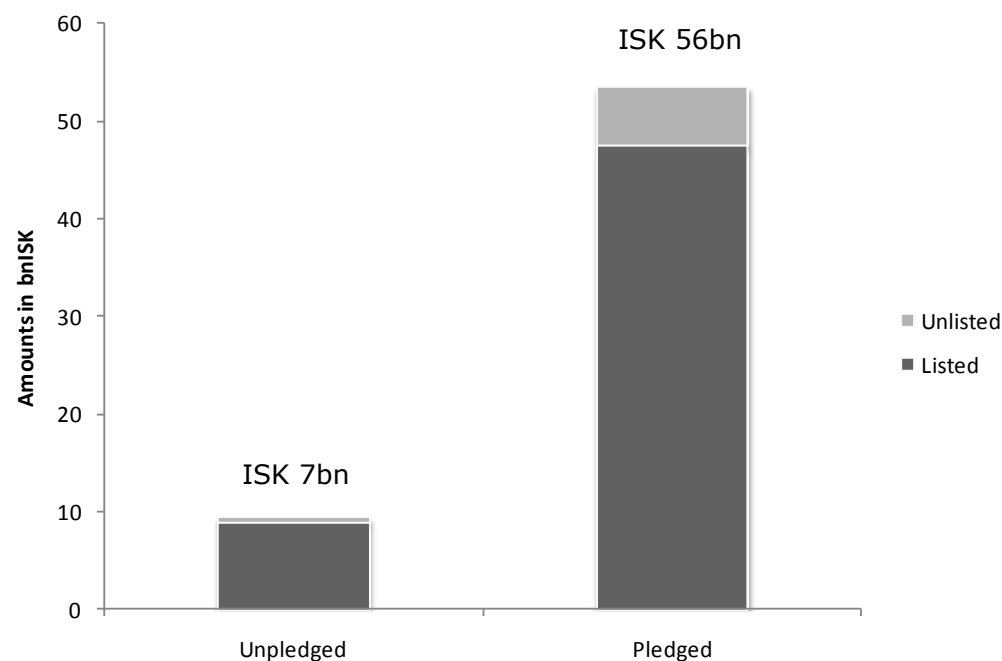
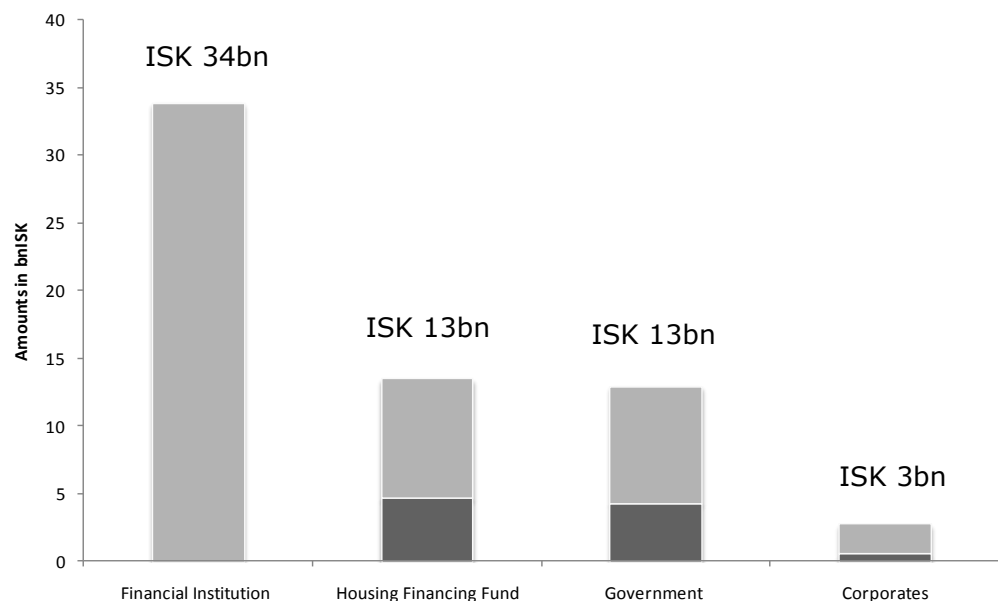
Loans to Customers at Carrying Value – Maturity Profile



- Pledged positions of carrying value ISK 107.917 million are excluded
- The histogram above is based on contractual maturity specified in the underlying loan agreements unless an acceleration event has occurred. Due to restructurings, the maturity profile may change over time
- As in other traditional loan portfolios, loan agreements may include extension clauses
- Defaulting positions amounting to ISK 826bn are excluded in the graph, thereof, ISK 708bn is in the NOA portfolio

Bonds and Debt Instruments

- Bonds and debt instruments amounted to ISK 63.025 million as at YE 2009
 - Unpledged positions: ISK 9.539 million
 - Pledged positions: ISK 53.486 million
- The decrease from 30 June 2009 in:
 - Unpledged positions is mainly due to issuer's final repayments and mtm-movements
 - Pledged positions is primarily driven by the settlements of collateralized agreements
- The pledged positions are now represented at the assumed market value of the underlying collateral according to the bank's interpretation of the valuation date of the underlying agreements
 - Has insignificant effects on pledged positions in this asset class



- Pledged positions are now valued at the market value of the underlying collateral: Has this resulted in an increase or decrease in valuation?
 - Answers provided on the previous slide: Bonds and Debt Instruments - Overview
- Decrease in pledged positions: Is this primarily driven by settlement of collateralized agreements? Or, is this due to re-evaluation of the assets?
 - Answers provided on the previous slide: Bonds and Debt Instruments – Overview
- Main factors behind the changes in this asset class
 - Answers provided on the previous slide: Bonds and Debt Instruments - Overview

Shares and Instruments with Variable Income

- Shares and instruments with variable income amounted to ISK 178.379 million as at YE 2009
 - Unpledged positions: ISK 28.849 million
 - Pledged positions: ISK 149.530 million
- The decrease from 30 June 2009 in:
 - Unpledged positions is primarily driven by the sale of the Bank's 5.5% stake, in Storebrand in December 2009
 - Realised gain since October 2008: ISK 16bn
 - Realised gain since 30 June 2009: ISK 7bn
 - Excluding the sale of Storebrand, the unpledged equity stakes are increasing in value
 - Pledged positions is mainly due to revaluation of the equity stakes which are now represented at the assumed market value of the underlying collateral, according to the Bank's interpretation of the valuation date of the underlying agreements

- What has been the realised gain or loss in Storebrand shares since the 30 June 2009 value?
 - Answers provided on the previous slide: Shares and Instruments with Variable Income – Overview
- Pledged positions are now valued at the market value of the underlying collateral: Has this resulted in an increase or decrease in valuation?
 - Answers provided on the previous slide: Shares and Instruments with Variable Income - Overview
- Decrease in Pledged positions: Is this primarily driven by settlement of collateralised agreements?
 - Answers provided on the previous slide: Shares and Instruments with Variable Income – Overview
- Is the entire change in value for shares and instruments with variable income due to revaluation, other than the sale of Storebrand shares and pledged settlements?
 - Answers provided on the next slide: Shares and Instruments with Variable Income – Unpledged Positions
- Are the restructured equity stakes still valued at zero?
 - Answers provided on the next slide: Shares and Instruments with Variable Income – Unpledged Positions
- Is number 8, Retail/UK on the top ten list a new investment? If not, please can you explain why it is booked as zero in June 09 and Dec 08?
 - Answers provided on slide 44: Shares and Instruments with Variable Income – Top Ten Positions

Shares and Instruments with Variable Income – Unpledged Positions

	31.12.2009	30.6.2009*	31.12.2008*
Unpledged positions	28.849	35.055	23.203
Storebrand	-	14.640	11.750
Unpledged positions excluding Storebrand	28.849	20.415	11.453

- Restructured equity stakes are classified within shares and instruments with variable income, unpledged positions
- Included in comparison numbers is the Bank's 5.5% stake in Storebrand which was sold for around ISK 21bn in December 2009
- Excluding Storebrand, the value of the unpledged share positions has increased by 17.3bn in 2009. From ISK 11.5bn as at 31 December 2009 to ISK 20.4bn as at 30/06/09 and ISK 28.8bn. as at 31 December 2009

* Numbers as published in the 30 June 2009 account

All amounts in ISKm.

Shares and Instruments with Variable Income – Top Ten Positions

	31.12.2009			30.6.2009	31.12.2008
	Unpledged	Pledged	Total	Total	Total
Trade/UK	-	43.474	43.474	51.246	45.191
Service/UK	-	33.769	33.769	48.489	26.285
Financial/Scandinavia	-	29.835	29.835	30.462	28.351
Industry/UK	-	24.246	24.246	23.470	15.403
Financial/Scandinavia	-	7.022	7.022	26.720	21.364
Industry/Other	6.671	-	6.671	4.130	2.015
Industry/Iceland	-	6.001	6.001	6.174	6.174
Retail/UK	5.674	-	5.674	-	-
Service/Scandinavia	180	4.879	5.059	7.486	7.486
Financial/Other	4.494	-	4.494	3.939	3.047
Ten largest positions total	17.019	149.226	166.245	202.116	155.316

- Discrepancy with comparison numbers as at 30 June 2009 have been amended in the published Creditors' Report online and in the table above
- New investment (Retail/UK) equivalent to ISK 600 million, now valued at ISK 5.674 million, was made in H1 2009 to protect the Bank's assets and its interests in a holding structure

Derivatives and Unpaid Derivatives - Assets

- Derivatives and Unpaid Derivatives - Assets amounted to ISK 239.017 million at fair value as at YE 2009.
 - Derivatives, i.e. open contracts: ISK 7.581 million at fair value
 - Unpaid derivatives, i.e. matured and terminated trades as well as unpaid cash flow from open trades: ISK 231.436 million at fair value
- A derivative contract is accounted for as an asset if the total net position prior to taking collateral into account of the entire derivatives contract of the counterparty is in the bank's favor. Negative unpaid carrying value in the analysis of assets is therefore always offset by positive values of other contracts by the same counterparty.
- Provisions primarily reflect estimated creditworthiness of each counterparty but legal and valuation uncertainties are also taken into account.
 - The provision level is decided on a counterparty level and not a product level, and is reviewed regularly as the Bank progresses in the derivatives stream
- Estimated netting effects on Derivatives and Unpaid Derivatives – Assets amount to ISK 120.204 million
 - The decrease from the numbers published on 30 June 2009 is due to more thorough analysis on the derivatives and the associated collateral accounts.
 - According to the Balance Sheet as at 30 June 2009, ISDA collateral in relation to derivative assets amounted to 143.517 million. After more detailed analysis of effective netting and estimated overcollateralization we give now an estimation of ISK 120bn as total effective netting on the derivatives on the asset side.
 - This adjusted estimation of netting effects results in an increase in net value of Derivatives and Unpaid Derivatives – Assets from 30 June 2009
 - This estimation reflects the Bank's current best estimate but any final valuation will depend on the agreement reached with the counterparties

- Are there any pledges for the derivative assets?
 - Answers provided on the previous slide: Derivatives and Unpaid Derivatives – Assets – Overview
- Estimated netting effects on derivatives on the asset side amount to ISK 120.204 million. According to the Balance Sheet as at 30 June 2009, ISDA collateral in relation derivative assets amounted to 143.517 million. Does this mean a deduction of the collateral?
 - Answers provided on the previous slide: Derivatives and Unpaid Derivatives – Assets – Overview
- Why is the provision as % of carrying value higher for "Unpaid Caps, Floors, Barriers?"
 - Answers provided on the previous slide: Derivatives and Unpaid Derivatives – Assets – Overview
- What caused the increase in net value of the derivatives from 30 June 2009?
 - Answers provided on the previous slide: Derivatives and Unpaid Derivatives – Assets – Overview
- Are the provisions primarily due to disputes over which FX rate is applied (i.e. CBI rate vs. ECB rate)?
 - Provision levels by product type are disclosed in note 18 in the Creditors' Report
- Please explain the nature of the negative position on unpaid credit derivatives
 - Explained in note 18 in the Creditors' Report

- Did the derivatives book generate any cash during this period?
 - Answers provided on page 15: Cash in Hand – Further Details on Cash Reserve Development
- Why did the carrying value of the Open FX Trades, Asset Swaps & Interest Rate Swaps derivatives change? Was this just due to the positions being closed out?
 - Contracts have matured or been closed according to terms and conditions of the contracts. In addition, there have been fx changes, mtm changes and re-valuations on the contracts
- Is there a risk that the unpaid derivative balances will be subject to set-off?
 - Yes, as has been stated in the disclaimer of all our Creditors' Reports since first issued in February 2009 and as stated on page 2, 15 and 65 in the March 2010 report, "the actual realisable value of the Bank's assets and liabilities may differ materially from the values set forth herein. Factors which may lead to material differences include the impact of set off and netting including in connection with derivative contracts"

Investments in Subsidiaries

Investments in Subsidiaries - Overview

			31.12.2009		30.06.2009	31.12.2008
	Functional currency	Ownership	Pledged	Total	Total	Total
FIH Erhvervsbank, Denmark	DKK	99,90%	97.047	97.047	91.168	86.213
Kaupthing Mortgage Inst. Investor Fund, Iceland	ISK	100,00%	17.303	17.303	18.317	17.544
Norvestia Oyj, Finland	EUR	32,70%	-	8.776	8.139	7.445
NBS Diversified Credit Fund, UK	EUR	100,00%	-	6.264	5.898	5.898
Kaupthing Sverige AB, Sweden	SEK	100,00%	-	5.103	5.734	5.403
Kirna ehf., Iceland	ISK	100,00%	-	3.557	5.375	5.375
Other	-	-	-	3.576	931	1.586
Investments in subsidiaries			114.350	141.626	135.562	129.464

- Investments in Subsidiaries amounted to total of ISK 141.626 million as at YE 2009.
- The equity stake in FIH is shown as fully pledged against a liability at the Central Bank of Iceland.
- The Bank controls 56.0% of the votes in Norvestia Oyj despite holding only 32.7% of outstanding shares, and the company is thus considered to be a subsidiary of the Bank.

- Can you clarify the mechanics of the purchase of the Arion Bank equity?
 - Answers provided on page 52: Events occurring after 31 December 2009 - Kaupthing Capitalization
- What did the assets transferred from Arion Bank consist of?
 - Answers provided on page 52: Events occurring after 31 December 2009 - Kaupthing Capitalization

- Capitalization based on estimated year-end figures 2009 with relevant adjustment for the capitalization
- Effective capitalization date: 8 January 2010
- Total equity >ISK 88bn including retained earnings*
- Total paid-in equity: ISK 75.9bn
- No equity to be paid to SPM creditors
- Expected initial tier 1 ratio 13%* and CAD ratio 17%

	ISK Bn	Ownership	% of Total New Capital
<u>Equity</u>			
- Kaupthing	66.0	87%	64.4%
- Government	9.9	13%	35.6%
<u>Tier 2</u>			
- Government	26.7		

* includes ISK 6.5 Bn of retained earnings which might be reclassified

Amounts in ISKbn	Nominal Value	Market Value**
Corporate Loans	29.4	28.8
ICB REPO assets*	47.2	22.8
Cash (ISK)	14.4	14.4
	<hr/> 91.1	<hr/> 66.0

ICB transaction

- Gross market value: ISK 84.1bn
- Liabilities: ISK 61.3bn
- Net: ISK 22.8bn
- If in FX, liabilities are priced at respective base rate, (e.g. libor + 300bps)
- Arion Bank can initially freely select denomination of liability with conversion at spot rate (effective hedging); thereafter on a more restricted basis
- If converted into ISK non CPI, then the interest rate is the reference rate from the Icelandic Central Bank (currently around 10%). If converted into CPI linked ISK then based on the nearest outstanding HFF bonds
 - subject to approval by the ICB
- Term: 2016; 2 extension options each of 3 years

* includes ISK mortgages, fx mortgages and loans to government related entities

** based on third party valuation

■ Competition Authority (key provisions)

- Independence of board members from (i) other retail or savings banks in Iceland (including Islandsbanki); (ii) parties who have a controlling share in other retail and savings banks in Iceland; (iii) parties who have material interests related to the operations of Arion Bank and its competitors
- Semi-annual update of largest creditors of Kaupthing to Competition Authority
- Transfers of ownership to creditors requires approval (needs to be addressed in composition); currently owners with holding in excess of 10% in a bank require approval

■ FME (key provisions)

Owners:

- Reserve fund: obligation of Kaupthing to hold minimum of liquid assets; no commitment to make further investments in Arion, but decision to be taken at the time in a timely manner
 - Amount to be determined by capital requirement in prolonged recession scenario
 - First revision of requirement based on 2010 year-end figures of Arion
- Independence of board members of Arion Bank
 - All members to be assessed as fit and proper by the FME based on existing regulations and need to be independent other than one member from the Resolution Committee
- Kaupskil: Three member board which exercise the voting rights in Arion Bank; One member can be from the Resolution Committee while the other two members, including the Chairman, need to be independent

Arion:

- Capital ratios 12% Tier 1, 16% CAD unless revised by FME; natural hedge effect considered in calculation (undertaking received)
- 5% of deposit base to be maintained in liquid funds; sufficient liquidity for prolonged recession scenario

- Risk
 - Fulfil requests by FME regarding risk management, approval for incentive scheme and restructuring process
 - Applications for dispensations from regulations
- Transactions with shareholders/affiliates
 - Loans to owners/affiliates require FME approval

- Kaupskil Board
 - 3 members have been appointed but FME confirmation still outstanding

- Arion Board
 - 5 members
 - thereof 3 independent directors: members have been approached, but FME confirmation still outstanding

- CEO selection process ongoing
 - Final decision by new board of Arion Bank (subject to that FME approval of board members will not take too long)

Kaupthing capitalization assets

Amounts in ISKm

	Carrying Value	Market Value**	Transfer %
Corporate Loans	29.424	28.771	98%
Other Loans*	108.472	84.054	77%
Cash (ISK)	14.428	14.428	100%
Liability to the ICB	(61.253)	(61.253)	100%
	91.071	66.000	

- On 11 January 2010 the Icelandic Financial Authority granted Kaupthing's subsidiary Kaupskil ehf. permission to own a qualifying holding in Arion Bank on behalf of Kaupthing. This permission was given following the conclusion of an agreement on the ownership of Arion banki between Kaupthing and the Ministry of Finance
- Kaupthing, through its subsidiary Kaupskil ehf., contributed assets valued as at 8 January 2010 at ISK 66.000 million equivalent to 65% of the overall capitalization of Arion Bank for which it received 87% of the share capital. Kaupthing capitalised Arion Bank as described in the table above
- The assets were evaluated at the transfer price to Arion Bank. The effects on the balance sheet of Kaupthing Bank will be that these assets will be deducted from the relevant asset classes and the total, ISK 66.000 million is booked under Investments in subsidiaries as at 8 January 2010

* Portfolio categorized under Loans to customers under the name Pledged and consists of ISK mortgage loans, FX mortgage loans and loans to Icelandic municipalities, organisations and other government related entities, which had previously been pledged by Kaupthing to the CBI valued at ISK 84.054 million (net ISK 22.802 million after the corresponding liability of ISK 61.253 million towards the ICB has been transferred to Arion Bank).

** based on third party valuation

Other Assets

- Other assets amounted to ISK 7.540 million at fair value as at YE 2009
 - Accounts receivables: ISK 40.549 million
 - Sundry assets: ISK 4.003 million
 - Provisions: - ISK 37.012 million (total for both sub-categories)
- Accounts receivables consist of guarantees and claims, e.g. out of pocket expenses to be born by counterparties and claims on subsidiaries, some of which were incurred several years prior to the collapse. Due to the aging of some of the claims, the uncertainty around the validity and collection of the assets in this category, they have been heavily provisioned for.
- Sundry assets includes e.g. deferred tax assets, accrued income and prepaid expenses.

- What are Accounts Receivable? Do Impairment on Other Assets all relate to Accounts Receivable or does this line reflect impairments on some other assets?
 - Answers provided on the previous slide: Other Assets – Overview

Other Information

Overview of the Bank's Asset Base (in ISKm)

- Balance sheet net of pledged assets and known claims for administration of the estate and known priority claims – estimated netting effects due to derivatives fully taken into account:

Assets	31.12.2009	30.06.2009	31.12.2008
Cash in hand	176.066	98.799	77.963
Loans to and claims against credit institutions	53.481	42.899	148.548
Loans to customers at fair value	366.894	357.259	259.666
Bonds and debt instruments	9.539	12.344	2.652
Shares and instruments with variable income	28.849	35.055	23.203
Derivatives and unpaid derivatives	118.813	102.556	96.626
Investments in subsidiaries	27.276	26.077	25.707
Other assets	7.540	9.102	13.361
Total assets.....	788.458	684.091	647.726
Claims for administration of the estate and known priority claims...	-45.545	-53.022	-119.055
Total assets	742.913	631.069	528.671

- ***Collateral corresponding to derivatives has been subtracted in the numbers above, also on approximate basis in 30.6.2009 and 31.12.2008, but has in previous accounts been described in text accompanying this note***

All amounts in ISKm. FX currency tables can be found in appendix.

- Do you expect the set-off effect to be different with regards to the amount of assets and liabilities
 - Answers provided on the next slide: Set-Off Effect – Estimate made by the Resolution Committee
 - Are the ISK 100-150bn related to set-offs in addition to what has been incorporated in the balance sheet or is that a total expected set-off?
 - Answers provided on the next slide: Set-Off Effect – Estimate made by the Resolution Committee
- What does the liability to Arion Bank relate to? It reduced from ISK 7.5bn in June 2009 to ISK 0bn in December 2009.
 - Is primarily related to a large payment made in error to Kaupthing from Arion Bank shortly after the collapse of Kaupthing. The Resolution Committee has not repaid this to Arion Bank and it's now in the hands of the Winding-up Committee to conclude whether this is a priority claim or not
- Do December 2008 assets include retroactively added assets transferred between Arion Bank and Kaupthing which may not have been on Kaupthing balance sheet on the actual date?
 - Yes its included. PwC audited the asset transfer from the Kaupthing to Arion Bank to ensure that it was completed in full accordance with the FME transfer decision. After PwC completed their revision they concluded that some assets that were initially moved to Arion Bank should have stayed with Kaupthing and they have been retroactively added to Kaupthing balance sheet

- The valuation of total assets does not fully take into account the impact of set-off.
- The Resolution Committee currently estimates that in addition to what has been incorporated in the valuation, additional set-off effects of up to ISK 100 – 150bn in total on the face value of the respective liabilities.
- The exact set-off effects on the assets and liabilities side may differ and the Resolution Committee estimates that the effects on the asset side will be substantially lower since some of the assets that are subject to set-off have already been impaired or provisioned for, i.e. valued lower on the asset side than on the liability side.
- It should also be stressed that this is a rough estimate, put forward by the Resolution Committee and does not reflect the decisions of the Winding-up Committee on individual claims and as stated in the disclaimer may differ from the values set forth herein.
- The real and accurate amount of set-off claims accepted remains uncertain until recognized and disputes have been settled by the Winding-up Committee.

Winding-up Committee

- There are a total of 28.075 claims in the claims registry
- The total amount of lodged claims is ISK 7.286.184.534.876

- Priority claims
 - A total of 14.155 claims were lodged under Articles 109, 110, 111 and 112 of the Bankruptcy Act no. 21/1991 (Specific ownership of asset, claims for administration of the estate, secured claims and priority claims)
 - The total amount of lodged priority claims is ISK 2.111.171.684.529
 - The majority of lodged priority claims were claims for interest on Edge Deposits accounts in Kaupthing's branch in Germany or a total of 13.447 claims

- A total of 16.352 claims were lodged for interest on Edge Deposits accounts in Germany
- The Winding-up Committee has taken decisions on most interest claims lodged
- The decision of the Winding-up Committee on interest claims was introduced at the Creditors' Meeting 29 January 2010
- Prior to the Creditors meeting on 29. January 2010 the Winding-Up Committee had accepted claims for a total amount of ISK 2.136.738.521 under Art. 113

- A follow-up creditors' meeting will be held on 18 May 2010 at 10:00, at Hilton Hotel Nordica, Suðurlandsbraut 2, 108 Reykjavík
- At that meeting the Winding-up Committee intends to have completed its decisions on all claims lodged on the basis of Articles 109, 110, 111 and 112 of the Act on Bankruptcy etc., No. 21/1991
- Work will proceed in tandem to this on decisions regarding bond claims and other unsecured claims
- Creditors of claims whose decisions will be finalised and presented at that meeting will be sent a special notification regarding their claim no later than one week prior to the meeting.
- A creditor who wants to lodge an objection to a decision made by the Winding-up Committee, to be discussed at the creditors meeting must deliver objections in writing to the Winding-up Committee no later than the creditors' meeting
- If objections against the Winding-up Committee's recognition of a claim are not raised either before or at that meeting, the Winding-up Committee's recognition of the claim may be considered final according to Paragraph 3 of Article 120 of the Act no. 21/1991 on Bankruptcy [etc]
- If objection is raised to a decision by the Winding-up Committee, the Committee will attempt to resolve the dispute and invite the parties involved to a special meeting to seek to resolve the dispute
- If the dispute cannot be resolved at such a meeting it will be referred to the Reykjavík District Court for resolution, cf. Articles 120 and 171 of the Act on Bankruptcy etc. No. 21/1991
- Parties to such disputes are the creditor(s) against whom an objection is raised; creditor(s) who have raised the objection on the decision concerning the claim; and the Winding-up Committee

- Chapter XXIV of the Act on Bankruptcy etc., No. 21/1991, applies to the handling of such disputes by the District Court. Rulings by the District Court in such disputes may be appealed against to the Supreme Court within two weeks of their pronouncement. Appeals to the Supreme Court of Iceland against rulings are normally presented in writing, but the Court may decide to allow oral proceedings as well, if it deems necessary
- A court resolution of a dispute comprises a final outcome on the amount of a claim and its priority and will serve as the basis for disbursements.
- Prior to the Creditors meeting on 29 of January, the Winding-up Committee received over 5.100 objections, some of which cover many claims
- It is not known when part-payment could possibly be made to creditors or an attempt made to reach composition. The reasons for this are evident. Priority claims lodged with reference to Articles 109-112 (claims for a specific asset, claims for administration of the estate, secured claims and other priority claims) amount to a total of ISK 2.111 billion, and among them are numerous very large claims which are likely to be disputed. In view of the fact that the bank's assets amount to approx. ISK 1.580 billion according to the balance sheet from 31 December 2009, it is clear that there can be no question of seeking composition or paying general claims until review of and decisions on the major portion of claims covered by Articles 109-112 is complete and, as the case may be, resolution of any disputes by the relevant courts is concluded
- The first disputes could likely be referred to the courts around mid-2010. No definite answer can be given as to when the results of such disputes could be available, since it is clear that the workload of the courts has increased and will continue to increase enormously, in part due to the number of financial undertakings currently undergoing winding-up. It is hoped, however, that the outcome of the first disputes will be available around mid-2011
- The third Creditors meeting will be convened on 3 December 2010. Efforts will be made to complete the review of claims prior to that meeting.

- Please provide a breakdown of the ISK 650bn of set-off claims
 - Answers provided on the next slide: Breakdown of Set-off Claims
- **Other questions submitted and addressed to the Winding-up Committee such as in relation to individual claims or the claiming process are not part of the topic of this meeting.**

- The total amount of received set off claims now amounts to **ISK 492bn.**

Breakdown of Set-off

- Claims where the claimant only has reserved right to set off or insufficient information has been given regarding his/her claim or the counterclaim from Kaupthing
 - ISK 446,2bn
- Bond claims from Icelandic Pension Funds set-off against claims for derivatives and other swap agreements
 - ISK 7,1bn
- Bond claims from Icelandic Investment Funds or Financial Institutions set-off against claims for derivatives, other swap agreements and loans to customers
 - ISK 4,2bn
- Misc. claims from Foreign Financial Institutions set-off against misc. claims from Kaupthing
 - ISK 30,4bn
- Other misc. claims, mostly from Icelandic counterparties set-off against misc. claims from Kaupthing
 - ISK 4,1bn

Appendix

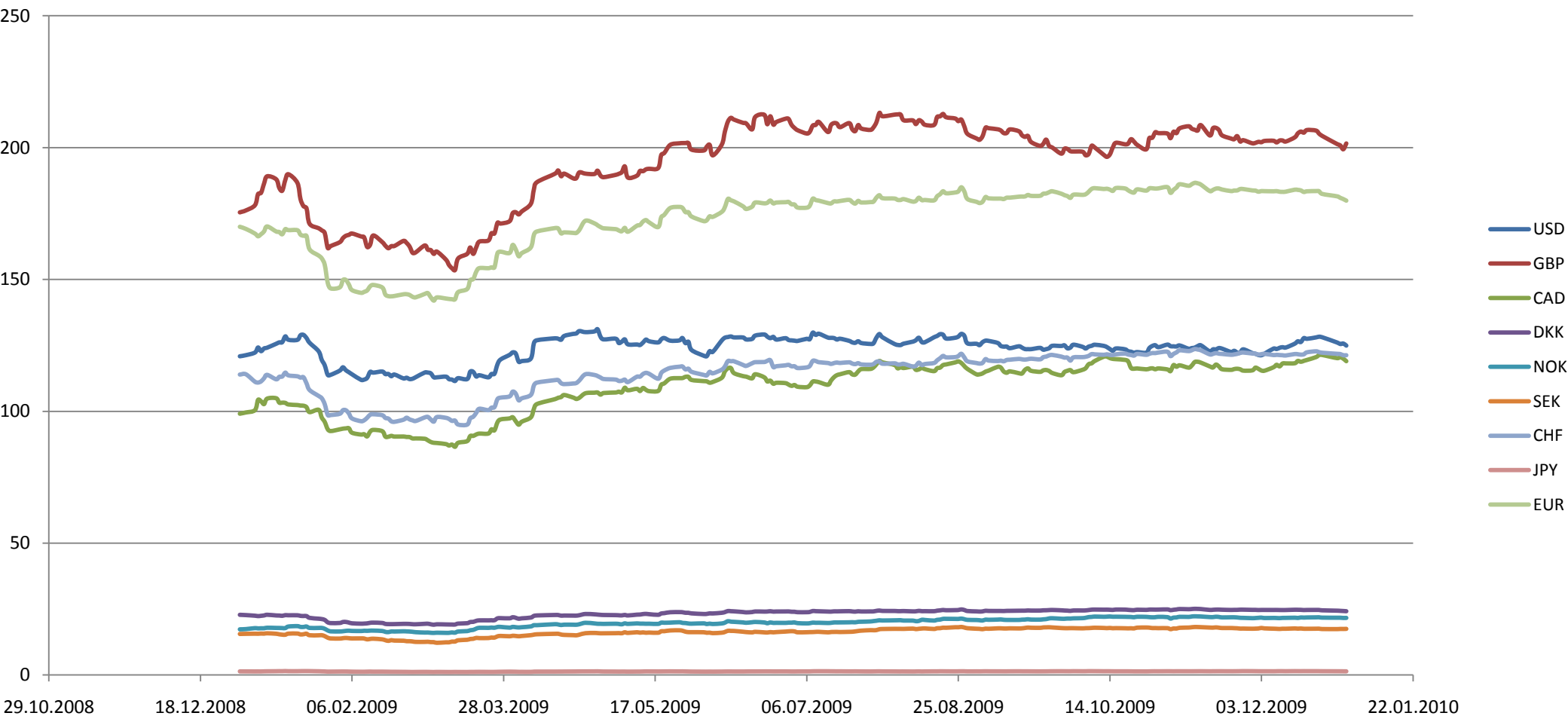


Currency Development in 2009

- The foreign exchange rates used in the preparation of the balance sheet as at 31 December 2009 is based on Reuters foreign exchange rates as at 16:30 on that date. The table below displays the foreign exchange rates used for the balance sheet as at 31 December 2009 and the foreign exchange rates for past comparison periods.

	31.12.2009	30.6.2009	31.12.2008
AUD	112,53	102,90	84,46
CAD	119,74	109,91	98,72
CHF	121,18	117,78	113,82
DKK	24,16	24,04	22,73
EUR	179,78	179,04	169,27
GBP	202,65	210,04	176,48
JPY	1,35	1,32	1,34
NOK	21,63	19,84	17,39
SEK	17,54	16,52	15,44
USD	125,43	127,56	121,10

ISK against major currencies



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