
Creditors' Report Update Meeting

London, 7 June 2010

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Welcome Address & Introduction



- The ResCom is committed to extensive communication with all creditors within its boundaries:
 - Equal treatment of all creditors
 - Creditors' Report updated every month to keep all creditors informed of the latest progress
 - Comprehensive financial information published semi-annually in the Creditors' Report
 - Series of meetings undertaken to present the Bank's matters on a regular basis to all creditors
 - ICC established at ResCom's own initiative (Icelandic legislation does not provide for special creditors' committees)
- It is the ResCom's legal obligation and primary objective to safeguard and maximize the value of the Bank's assets
 - Must have the support and trust of the creditors of the Bank to do so
- However, as previously stated, there is no legal obligation to provide information to creditors or the ICC, other than the information which it is obliged to provide by law at open creditors' meetings at the end of each moratorium period.
- Due to the sensitive nature of and around some ongoing projects and existing restriction from bank secrecy law, it is impossible for the ResCom to provide information on certain projects.
- In certain transactions including settling derivatives where the Bank's counterparties are some of the largest creditors of the Bank a conflict of interests can arise.
- As the ResCom is legally obliged to maximise the value of the Bank's assets and preserve the interests of the creditor body as a whole, it should not disclose information which can have a detrimental impact on asset recovery.



- 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 purpose of the meeting is to go through the highlights of the April and May updates 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 by the stated deadline
 - This procedure 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 are focused on the April and May report's updates
 - Financial information produced semi-annually, next update as at 30 June 2010 this autumn. Submitted questions related to financials have been noted and we will strive to provide answers to the relevant questions when updated figures have been published
- ***No questions will be allowed during or after the presentation***
- ***We will not be addressing questions on topics that do not relate to the April and May update. All 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	Results
Stabilization of the asset base and securing operations	<ul style="list-style-type: none"> ■ Strong and experienced team recruited with external advisors as needed. ■ Closing branches in the Nordic region by retrieving value wherever possible. ■ Despite high uncertainty and stressful conditions in Q4 2008, no material assets were lost in the turmoil.
Extensive restructuring of the loan portfolio	<ul style="list-style-type: none"> ■ Restructuring of the non-performing assets managed by the AM team largely completed. ■ Performing loans up from 38% at end of H2 2009 to 75% at end of Q1 2010. ■ Equity value already created from several restructuring cases.
Negotiations on capitalization of Arion Bank	<ul style="list-style-type: none"> ■ The Bank acquired 87% of the share capital in Arion Bank. ■ Further upside captured through contingent value right.
Taking actions to secure assets in the NOA portfolio	<ul style="list-style-type: none"> ■ Secured assets, taken control and prevent leakage of assets from various structures through enforcing pledges and bringing legal actions. ■ Both full and partial repayments from a number of entities under examination. ■ Successful co-operation with the relevant authorities.
Well defined derivatives settlement process implemented	<ul style="list-style-type: none"> ■ All of the high priority CPs have been reviewed and commenced action. ■ Over 98% by value of all receivable derivative positions now under way with over 60% into negotiation with CPs, and clear resolution to the major strategic issues blocking settlements.
Value maximization of the Bank's assets under way	<ul style="list-style-type: none"> ■ Value of unpledged assets net of known priority claims increased by ISK 214bn in 2009.



Timeline and Overall Restructuring



- 13 August 2010: The current moratorium on debt payments ends.
 - Further extension can be requested until 24 November 2010 when the maximum moratorium period ends, at which point the Bank will automatically enter into winding-up proceedings
- After last year's amendments to the Act on Financial Undertakings, whether the Bank is in a moratorium or in winding-up proceedings, does not affect the current operations of the Bank
 - The Bank's protection against litigation, enforcement, collection measures and other depletion of assets obtained under the moratorium will continue to exist when the Bank formally enters winding-up proceedings
 - The ResCom continues to operate under winding-up proceedings with the same aim as before: to maximise the value of assets for the benefit of creditors. That includes waiting for the maturity of assets if deemed beneficial rather than disposing of them immediately. The Winding-up Committee will continue to manage the claim process
 - This change in legal status, when the moratorium period ends, and the Bank enters into winding-up proceedings, will therefore not affect the current operations of the Bank
- Winding-up proceedings can conclude in composition with creditors or in insolvent liquidation.
- 21 September 2010: 2nd follow-up creditors' meeting from 29 January 2010 and 18 May 2010 held by the Winding-up Committee.
- 3 December 2010: 3rd follow-up creditors' meeting from 29 January 2010, 18 May 2010 and 21 September 2010 will be held by the Winding-up Committee.



- The ResCom is focused on finding the best possible closure for all relevant parties in a realistic time frame and distributing the resulting value to creditors.
- The eventual timing is subject to the progress of the winding-up proceedings which is administered by the Bank's Winding-up Committee.
- Total amount of priority claims lodged well above the total value of the Bank's assets.
 - Mainly due to a few significant damage claims, guarantees, duplicate claims and claims related to deposits that have already been repaid by the Bank
- This creates an uncertainty when distribution or partial payments can be made to creditors or an attempt made to reach composition agreements.
- This clearly affects the overall restructuring plan of the Bank which since 2008 has focused on returning the value to creditors as timely as possible through a composition and not insolvent liquidation.
- In 2010 the ResCom has been working on developing an interim solution.
- Transfer suitable assets into a new structure (s)/arrangement with the following objectives:
 - Appropriate governance structure
 - Increase creditors' involvement (valuable contribution from external experts)
 - Streamline the operations and create flexibility for value maximization
 - Create a structure (s)/arrangement which operates similar to a going concern asset management company where value maximization is the key driving factor
 - Furthermore, the interim solution has the objective to have a solution available at the time when a composition can be proposed.

Winding-up Committee

The Claiming Process



- Did counterparties under derivative trades and repurchase agreements which benefit from the collateral in the pledged bank accounts or securities also file claims against the bank and if so were those claims net or gross of the pledged collateral?
 - Counterparties that filed claims in relation to the above transactions, generally filed on a net basis
- How do we reconcile priority claims under Art. 109-111 with pledged assets on the balance sheet?
 - No direct reconciliation; most of the counterparties seem to have enforced the pledges and filed any potential deficiency claims net of the pledged collateral based on their own calculation
- Can you please clarify comments made at the last Creditors' Meeting with respect to expected timing of a composition / distributions?
 - Answer provided on slide: Payment to Creditors
- Is there any estimation when the process of recognizing of claims is finished and when the claim settlement commences?
 - Answer provided on slide: Payment to Creditors
- Many of claims have not been recognized yet. Does this fact have any impact on the situation that one of the following creditors' meetings will be held as far as December 3rd, 2010, i.e. after the maximum moratorium date?
 - Answer provided on slide: Next Steps



- The following questions received will also be covered during the presentation
 - What was the basis for the two claims filed by Alandsbanken?
 - Please give an overview of the bond and loan agreements made by the Central Bank of Iceland (Sedlabanki Islands) to Kaupthing and the basis for the additional claims made other than the ISK 93bn
 - What is the basis and the current situation with KSF and KSF Isle of Man?
 - Please give an overview of any discussion with the Icelandic Depositors' and Investors' Guarantee Fund including the current situation of the guarantees

Breakdown of lodged Claims by Articles and Types



- There are now close to 28.000 claims in the claim registry and the total amount of those claims is approx. ISK 6,895bn.
- As at 31 December 2009, total amount of lodged claims amounted to ISK 7,316bn.
- Due to amendments of claims by creditors, corrections of double registration and withdrawal of claims, this number has decreased.

By type	Art. 109	Art. 110	Art. 111	Art. 112	Art. 113	Art. 114	Total amount
Guarantees	1.287.209.358	-	113.937.931	581.854.595.343	132.167.370.183	1.358.328.055	716.781.440.870
Derivatives	26.861.680.393	8.728.030.771	13.865.117.702	117.941.702	434.997.166.214	18.872.266.259	503.442.203.041
Miscellaneous	26.225.802.751	1.538.686.557	297.703	11.535.199	150.002.064.420	870.031	177.779.256.661
Deposit Agreements	-	-	-	216.817.449.796	89.389.220.549	4.683.763.767	310.890.434.112
Deposits	1.699.585.796	-	-	8.312.322.291	35.704.343.772	30.783.269	45.747.035.128
Reimbursements	-	-	-	1.307.933.453	314.790.036	9.330.188	1.632.053.676
Loan Agreements	-	-	188.994.127.245	27.657.936	378.823.446.263	5.630.052.777	573.475.284.221
Invoices	158.650.538	730.826.206	-	70.091.432	2.616.211.509	254.090.403	3.829.870.088
Contracts	-	43.568.949.392	-	-	47.747.252.466	168.256	91.316.370.115
Damages	114.656.356.206	343.939.411.068	-	1.012.759.893	123.122.705.555	65.012.890.797	647.744.123.520
Bonds	9.104.064.527	-	102.011.603.387	12.743.371.689	3.233.993.624.275	459.165.723.040	3.817.018.386.918
Interests	87.371.704	397.339	47.539.797	4.960.248.053	643.643.806	91.475.287	5.830.675.986
Total amount	180.080.721.273	398.506.301.334	305.032.623.765	827.235.906.787	4.629.521.839.050	555.109.742.129	6.895.487.134.338

Status of lodged Priority Claims under Articles 109-112



Type of claims	Art. 109-112	Accepted or accepted w/amendments	Rejected or no decision to be taken*	Transferred to subordinated claims (Art. 114)*	Decision postponed	Rejected, reclassified or accepted under different article
Guarantees	583.255.742.632	0	581.745.874.879	0	0	1.509.867.753
Derivatives	49.572.770.568	0	14.086.158.518	0	35.424.267.719	62.344.332
Miscellaneous	27.776.322.209	10.144.474.002	6.915.594.317	0	0	10.716.253.890
Deposit Agreements	216.817.449.796	0	0	0	203.179.773.992	13.637.675.804
Deposits	10.011.908.087	16.923	10.011.811.528	0	0	79.636
Reimbursements	1.307.933.453	3.255	1.307.036.899	0	0	893.299
Loan Agreements	189.021.785.181	93.076.500.000	0	0	87.712.378.215	8.232.906.966
Invoices	959.568.176	20.841.250	402.175.926	0	0	536.551.000
Contracts	43.568.949.392	0	1.379.759	0	43.567.569.633	0
Damages	459.608.527.168	7.344.513	459.520.426.960	0	16.345.012	64.410.683
Bonds	123.859.039.603	0	12.042.844.308	44.240.965	111.771.954.329	0
Interests	5.095.556.893	0	823.563.536	0	416.505	4.271.576.851
Total amount	1.710.855.553.158	103.249.179.943	1.086.856.866.631	44.240.965	481.672.705.406	39.032.560.214

*With reference to the final sentence of the first paragraph of Article 119 of the Act on Bankruptcy, etc., No. 21/1991, no decision will be made on subordinate claims.

- As at today, total amount of lodged priority claims amounts to approx ISK 1,711bn.
- As at 31 December 2009, total amount of lodged priority claims amounted to ISK 2,019bn.
- Due to amendments of claims by creditors, corrections of double registration and withdrawal of claims, this number has decreased.
- Please note that the decisions made by the Winding-Up Committee, summarized in the table above may not be final. Decisions are in many cases under dispute.

Status of lodged Claims under each Article



	Art. 109	Art. 110	Art. 111	Art. 112	Art. 113	Art. 114	Total Amount
Amounts lodged	180.080.721.273	398.506.301.334	305.032.623.765	827.235.906.787	4.629.521.839.050	555.109.742.129	6.895.487.134.338
Accepted or accepted w/amends	644.513	10.172.015.252	93.076.500.000	20.178	611.885.755.985		715.134.935.928
Rejected or no decision to be taken*	142.897.160.268	345.724.296.752	319.910.774	597.915.498.837	750.513.352.486	417.355.612.288	2.254.725.831.405
Transferred to subordinated claims (Art. 114)*	7.309.004		36.931.962		150.633.470.314		150.677.711.279
Decision postponed	16.393.083.798	52.141.530.349	203.188.484.087	209.949.607.171	2.997.598.367.257	137.754.129.841	3.617.025.202.503
Rejected, reclassified or accepted under different article	20.782.523.690	-9.531.541.020	8.410.796.942	19.370.780.602	118.890.893.008		157.923.453.222

- Please note that the decisions made by the Winding-Up Committee, summarized in the table above may not be final. Decisions are in many cases under dispute.



- Around 200 cases regarding bankruptcy disputes are pending at the District Court of Reykjavik.
- Around 1000 cases will likely be sent to the District Court for resolution in the coming weeks and months from the Winding-up Committees of Kaupthing, Landsbanki and Glitnir.
- The Winding-up Committee of Kaupthing has received objections against around 7000 decisions. Even if only a portion of those claims would end up before the Courts it would still mean hundreds of cases for the courts to deal with.
- It is the Bank's view, that foreseeable problems with increased workload in both the District Court of Reykjavik and Supreme Court of Iceland have not been met with sufficient efforts and resources by Authorities.



- Numerous meetings have been scheduled over the next few weeks with relevant creditors to discuss disputed priority claims.
- The Winding-up Committee has focused on convening meetings over large disputed priority claims in order to try to resolve the dispute or else refer the dispute to the courts as soon as possible.
- Meetings are scheduled regarding disputed claims from the trustee under the US 144A bonds program.
- In addition, the Winding-up Committee has had discussions with relevant creditors that filed large disputed priority claims in order to get the claimed amount lowered.
 - This has already resulted in one claimant reducing its claim by ISK 381bn

Five largest Claims lodged under Articles 109-113



- An overview of the five largest claims lodged under articles 109 -113.
- This information is only provided to give creditors better understanding of the largest claims lodged under each article.
- Please note that the decisions made by the Winding-up Committee, summarized in the table may not be final. Decisions are in many cases under dispute.

Five largest claims lodged under Art. 109 (Specific ownership of asset):

Creditor (size)	Type	Amount	Status
1	Damages	88.119.656.222	Rejected
2	Damages	13.553.245.048	Rejected
3	Miscellaneous	11.270.830.208	Acc. w. amendments
4	Damages	10.743.300.000	Rejected
5	Miscellaneous	9.385.899.192	Acc. w. amendments
	Subtotal	133.072.930.670	

Five largest claims lodged under Art. 110 (Claims for administration of the estate):

Creditor (size)	Type	Amount	Status
1	Damages	244.767.617.092	Rejected
2	Damages	49.275.070.500	Rejected
3	Damages	49.265.873.100	Rejected
4	Contracts	43.567.569.633	Postponed
5	Derivatives	8.557.615.704	Postponed
	Subtotal	395.433.746.030	

Five largest claims lodged under Art. 111 (Secured claims):

Creditor (size)	Type	Amount	Status
1	Loan agreement	101.309.406.966	Acc. w. amendments
2	Loan agreement	74.812.480.671	Postponed
3	Bonds	54.071.523.996	Postponed
4	Bonds	17.991.695.796	Postponed
5	Loan agreement	12.872.239.608	Postponed
	Subtotal	261.057.347.037	

Five largest claims lodged under Art. 112 (Priority claims):

Creditor	Type	Amount	Status
1	Guarantees	443.624.417.940	Rejected
2	Guarantees	391.879.915.830	Rejected/Withdrawn
3	Guarantees	88.508.256.000	Rejected
4	Deposit agreement	86.529.222.422	Postponed
5	Guarantees	35.998.526.171	Rejected
	Subtotal	1.046.540.338.364	

Five largest claims lodged under Art. 113 (General claims):

Creditor	Type	Amount	Status
1	Derivatives	209.241.274.831	Rejected
2	Bonds	141.566.969.707	Acc. w. amendments
3	Miscellaneous	139.911.235.866	Postponed
4	Derivatives	130.089.641.986	Acc. w. amendments
5	Bonds	125.226.667.871	Acc. w. amendments
	Subtotal	746.035.790.261	



- The total amount of claims lodged as priority claims under Art 109-112 is well above the total fair value of the Bank's unpledged assets.
- This creates an uncertainty when distribution or partial payments can be made to creditors or an attempt can be made to reach composition agreements.
- In order to obtain a court confirmation on a composition proposal, the Bank needs to be in a position to pay, or secure the payment of, priority claims.
- In light of the magnitude of the disputed priority claims in Kaupthing' case, the Bank will be unable to meet this requirement if these claims are granted priority status.
- A composition can therefore not be sought and partial payments of general claims cannot be made until review of, and decisions made by the Winding-up Committee on the major portion of priority claims is completed and, as the case may be, resolution of major disputes is concluded.
- As a result, the Winding-up Committee does not believe that the Bank will be in a position to put forward a composition proposal until large portion of the disputed priority claims has been resolved.
- The timeline uncertain, given the backlog of court cases and number of disputes. However, the Winding-up Committee is committed to resolve all cases in an expedited way.



- Creditors' meetings will be held in Reykjavík 21 September 2010 and 3 December 2010.
- The Winding-up Committee will continue to take decisions on the remaining claims and efforts will be made to complete their decisions of claims prior to the creditors' meeting in December 2010.
- The end of moratorium for Kaupthing bank hf.
 - No real effect on the operations of the Bank
 - Continuation of the winding-up proceedings and revision of claims

Creditors' Report April / May Highlights



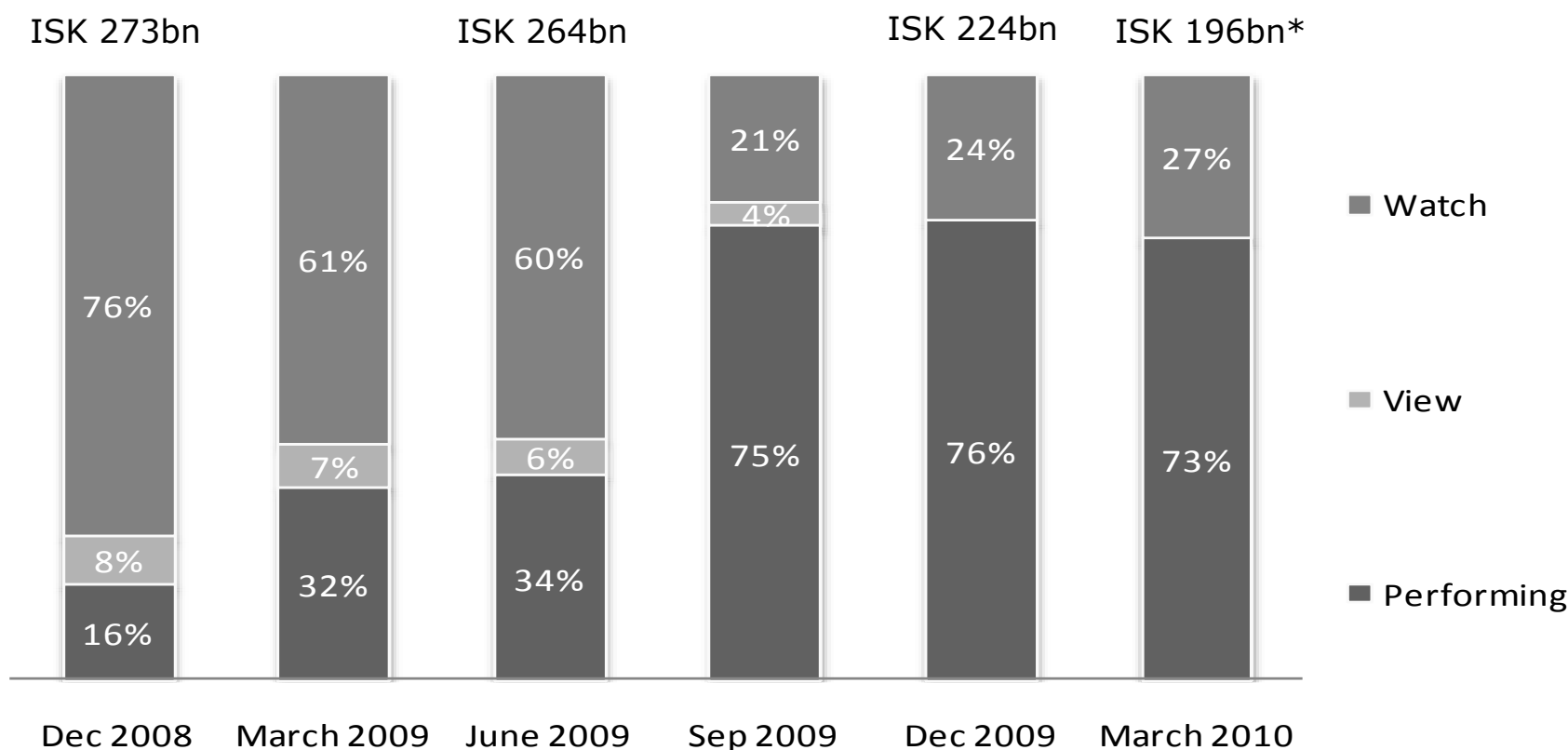
Performance and Restructurings



- Please give an overview of the Refresco transaction.
 - Answers provided on slides: Refresco – Equity Injection March 2010
- Has there been any increase in value in the “zero value assets” which were transferred back to Kaupthing from Arion Bank?
 - Answers provided on slide: Restructuring of the Loan Portfolio - Additional Observations
- How is the equity received in debt-for-equity swaps treated on the balance sheet?
 - Answers provided on slide: Restructuring of the Loan Portfolio - Additional Observations
- What is the current number and amount of loans which have been realised to date and how many have been paid in full? What is the weighted average recovery of loans realised in Q1 2010?
 - Answers provided on slide: Repayments and Exits – Summary Report
- Are there any new workout cases which can be further detailed?
 - Due to the sensitive nature of and around some ongoing projects and existing restriction from bank secrecy law, it is impossible for the ResCom to provide information on certain projects
 - Two large workout cases finalised in Q1, answers provided on slides: Refresco – Equity Injection March 2010 and The Lehman/Acta offer



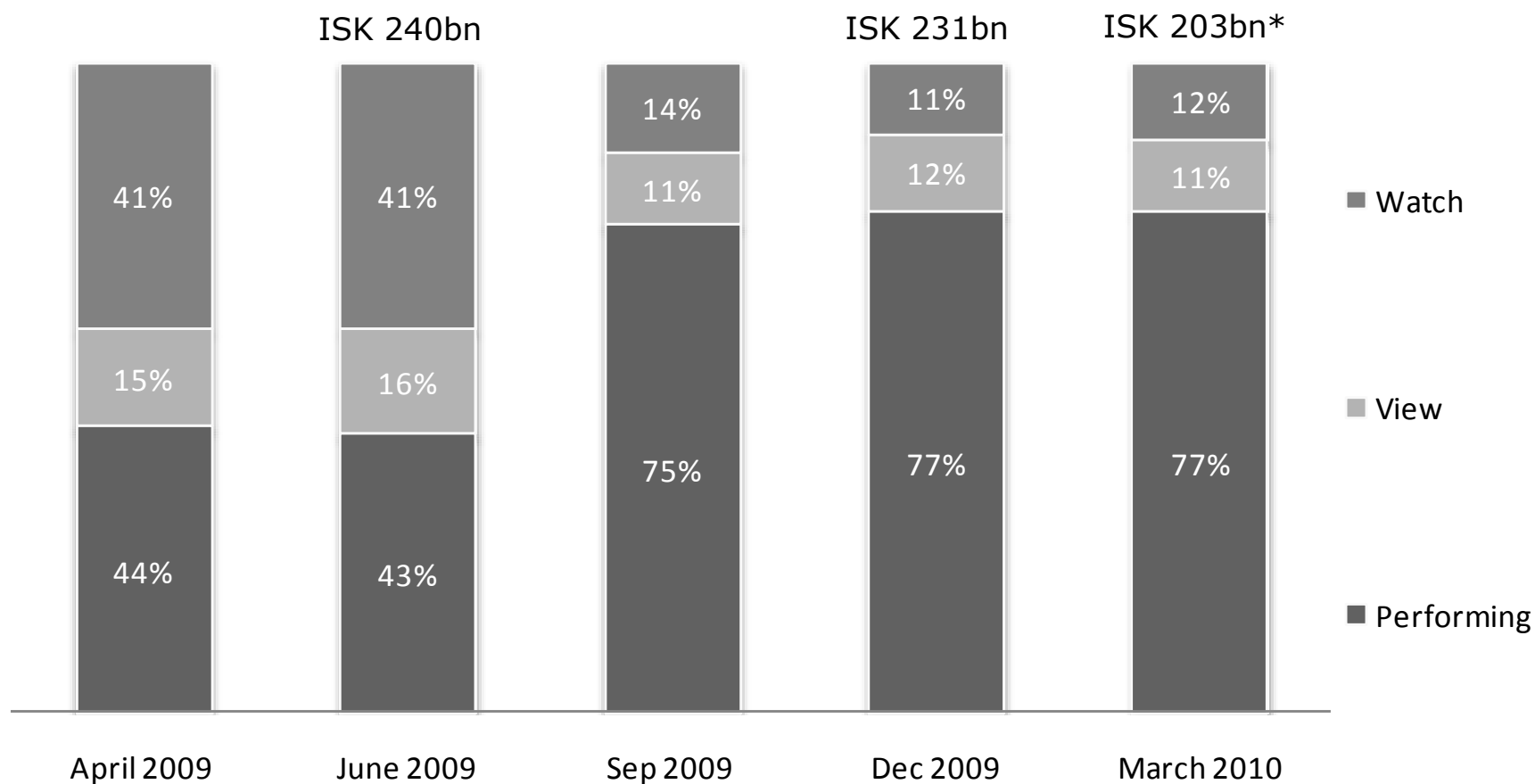
- The Bank's current loan portfolio can be divided into 2 parts:
 - Portfolio which is actively managed by the Asset Management team (Europe and Nordic) and where the majority of the borrowers have underlying operations or assets
 - Carrying value at YE 2009 557bn, fair value at YE 2009 328bn
 - Portfolio of the Non Operating Assets (NOA) which are all under examination and are under the supervision of the Inspection Committee (IC)
 - Carrying value at YE 2009 708bn, fair value at YE 2009 39bn
- Extensive restructurings of the Nordic and Europe loan portfolio carried out on a solid and thorough basis.
 - The total restructuring needed for the Nordic and Europe loan portfolio is largely completed
 - Morgan Stanley, has completed a report where assessment was made on the restructurings concluded by the Bank since October 2008
 - After analysing the information in the report, the ResCom has come to the conclusion that overall the restructurings have been carried out on a solid and thorough basis compared to best practice international standards including analyzing options available to the Bank and consulting advisers as needed
 - Along with charging fees and higher margins, aggressive actions have been made including enforcement of securities and taking management of assets



- The decrease in performance in Q1 2010 from 76% to 73% is primarily driven by:
 - principal repayments of performing loans amounting to approx. ISK 11.5bn
 - transfer of ISK 9bn carrying value of performing loans to Arion Bank as part of capitalization
 - appreciation of the ISK against major currencies in the portfolio
- Debt to equity conversion of approximately ISK 80bn is a major factor in increased performance in 2009 and contributes to the decrease in carrying value in 2009.

The Europe portfolio here 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.

* Based on valuation from financial information as at 31 December 2009.



- Principal repayments (of mainly performing loans) amounting to approx. ISK 4.5bn.
- Transfer of ISK 21bn at carrying value of performing loans to Arion Bank as part of capitalization.
- If Dec 2009 performance is adjusted for Arion Bank capitalization, performing loans are increasing from 75% to 77% in Q1 2010.

* Based on valuation from financial information as at 31 December 2009.



- The changes in carrying value and performance of the Europe and Nordic loan portfolio in Q1 2010 are primarily driven by:
 - principal repayments, mainly from performing loans, of ISK 16bn
 - transfer of ISK 30bn at carrying value of performing loans to Arion Bank as part of capitalization
- The increase in performance in 2009 is mainly driven by an extensive restructuring work, covenant resets, active management and improved market conditions in H2 2009.
- The carrying value of 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
- 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 ResCom to make sure that value of all assets was being maximised.
 - “Zero Value Assets” valued at insignificant amount as at 31 Dec 2009, but ResCom believes there is a possible future upside of few million euros
- Equity received in debt for equity swaps is classified as Shares and instruments with variable income. The aim in all restructuring cases is to set the debt level not lower than perceived enterprise value at restructuring.
 - Initially booked at zero in the Bank’s financial information, the Bank has already started to see equity value being created in some of the restructuring cases



- The Bank is not actively trying to sell off assets and strongly refuses any fire sale bids.
- 35 loans been realised until end of Q1 2010, with a total cash flow amounting to approx. ISK 70bn. since October 2008.
 - thereof 28 loans have been repaid in full, amounting to approx. ISK 55bn. The other seven were partially repaid amounting to ISK 15bn.
- Weighted average recovery of realised loans:
 - **90.3% from Oct 2008**
 - **97% in 2009**
 - **94.1% in Q1 2010**
- The table below shows the number of loans realised in each quarter in addition to the total repayment amount and recovery percentage.

Quarter	Number of loans	Repayment ISK m	Recovery %
Q1 2010	5 loans	9.231	94,1%
Q4 2009	8 loans	22.313	97,2%
Q3 2009	5 loans	7.621	100,0%
Q2 2009	12 loans	9.619	95,5%
Q4 2008	5 loans	21.153	78,4%
In total	35 loans	69.938	90,3%



Refresco in brief:

- European market leader of fruit juice and soft drink production for private label and contract manufacturing.
- Well run and profitable company with proven track record of implementing buy and build strategy.
- In 2009, revenue was EUR 1,140m, EBITDA EUR 120m and net debt EUR 497m.
- Refresco did not have the ability to continue its buy and build strategy without further capital injection.
- Controlling owner is Ferskur Holding 1 BV, a consortium of Icelandic investors, Stodir, Kaupthing and Vifilfell. Kaupthing's ownership 21.7% pre-transaction.
- Ferskur initiated a full scale sales process in 2008 inviting vast number of investors. The process was aborted early 2009, with the support of Kaupthing after it failed to crystallize what Kaupthing believed was a fair value for its stake.

Actions taken:

- The experience of 2008 sales process helped to identify a handful of strong, reputable investors which the owners believed could become valuable minority investors and who understand the strengths of the business.
- Late March 2010 the shareholders and the management reached an agreement with 3i where 3i would subscribe for new shares in Refresco (directed share issue) worth EUR 84m for a 20% stake.



Kaupthing's rational and conclusion

- 1) Based on reasonable assumptions, Refresco is more valuable if it continues its buy and build strategy which it has been implementing successfully.
- 2) The financing of continued buy and build strategy was doable at an implied reference price of EV/EBITDA 6.5x which benefited all shareholders, taking the dilution into account.
- 3) The financing of continuing buy and build was not doable by Ferskur, as such.
- 4) Investment made by third party is also expected to bring added benefits to the investment in Refresco
 - 3i's investment brought a benchmark valuation to the asset, future exit attempts should have more chance of being viewed as being based on strengths (rather than weaknesses like the 2008 exit attempt)
 - acts as a final blow to any rumor of instability and financial difficulties as a company completely run by troubled Icelandic investors
 - 3i is a reputable investor which has good network and in-depth understanding of the business from its previous ownership

Refresco has ambitious growth plan, bringing in 3i as minority investor to provide the equity funding needed allows for this support which the Bank believes will lead to more value creation for creditors without any capital outflow from Kaupthing.

An announcement on the Refresco transaction was published 25 March 2010 on the Bank's website, www.kaupthing.com and incorporated in the Creditors' Report 30 April 2010. Further information on Refresco can be found on its website, www.refresco.com.



Lehman / Acta in brief

- During 2007, Kaupthing's Swedish subsidiary granted loans of approx. SEK 1.2bn (~€120m). to approx. 3,200 retail customers for investments in bonds issued by Lehman Brothers Treasury. Customers were advised by external party Acta.
- Loan transferred to Kaupthing from Sweden.
- In February 2010, on behalf of Kaupthing, Acta delivered an offer to the relevant clients.
- The offer was based on the following:
 - Repayment of 60% of nominal amount
 - Transfer Lehman bonds to Kaupthing. The value of the bonds in this transaction was set at 30% of nominal amount
 - Accordingly, the value to Kaupthing of the accepted offer at the time of the offer amounted to 90% of the nominal amount of the loans
 - For the accepting clients, the due dates were postponed for three months. For non-accepting customers, Kaupthing will go for collection of original loan amount (maturing during Q1 – Q2 2010)
 - The clients that accept the offer agree not to direct any lawsuits against Acta, Kaupthing or Ålandsbanken
- On 11 May 2010, approx. 85% had accepted the offer, by amount and number.

Compared to transfer value to Kaupthing, taking into consideration other related transactions, the accepted offers results in approx. full recovery for the Bank, based on the current market value of Lehman Treasury bonds.



Asset Disposal Process



- What are the main considerations that could trigger a potential asset monetization for a particular asset?
 - Answers provided on slide: Asset Disposal Process – Framework
- Please provide details of the strategic rationale for asset disposals to date and going forward.
 - Answers provided on slide: Asset Disposal Process – Framework
- Please give an update on the asset disposal process including specific examples of assets that have already been identified for potential monetization and their current status.
 - Assets that have been identified for potential monetization but which have not been made public will not be disclosed due to the risk that it might compromise the value of the Bank's assets.
 - What can be disclosed on the matter is presented on slides: Asset Disposal Process – Framework and Middlesex Site – The Sales Process
- In relation to the Middlesex site please provide an explanation of the options considered.
 - Answers provided on slide: Middlesex Site – The Sales Process



Detailed facility by facility review has been carried out and strategies for all loan exposures and their recovery been formulated with the aim of ensuring realization of its maximum value. Target value for year-end 2012 has been established for all loan and equity positions exceeding ISK 1bn.

Reasons for potential asset disposal:

- Estimated current value/potential sale value > future target value
- Unfavorable risk/return to hold and support asset
- Too expensive to support asset
- Cannot hold on asset due to regulatory and/or legal reasons
- Bids for loans: full repayment plus interest

Proposal submitted to the Asset Committee

The Asset Committee's decision criteria

- Expected value achieved through disposal vs. expected value if retained and certainty of value
- Proposal considered within the context of current valuation, trading levels in the market and future target value

Not
Acceptable

Acceptable

Finalizing process design

Sales process
Documentation
Timing
Advisors' mandate

Proposal submitted to the ResCom

Final decision made by the ResCom

Decision made
with advice
from external
advisors as
needed.



- An announcement, regarding the sales process for Middlesex Hospital, was published 2 March 2010 on the Bank's website, www.kaupthing.com and incorporated in the Creditors' Report 9 March 2010.
- CBRE engaged to handle the sales process.
 - Extensive knowledge of the site
 - The Bank worked closely with CBRE during 2H 2009 as co-advisor
 - Satisfactory opinion from an experienced third party on the engagement agreements
- What can trigger a disposal of an asset such as the Middlesex Site?
 - From the outset the Bank has followed a structured process when and how decisions are being made regarding potential asset disposals
 - The Bank applies the standard asset disposal process framework for the Middlesex Site
- First round of bids submitted on 18 May.
- Options currently under ongoing investigation include:
 - straight sell
 - sell with an overage
 - JV



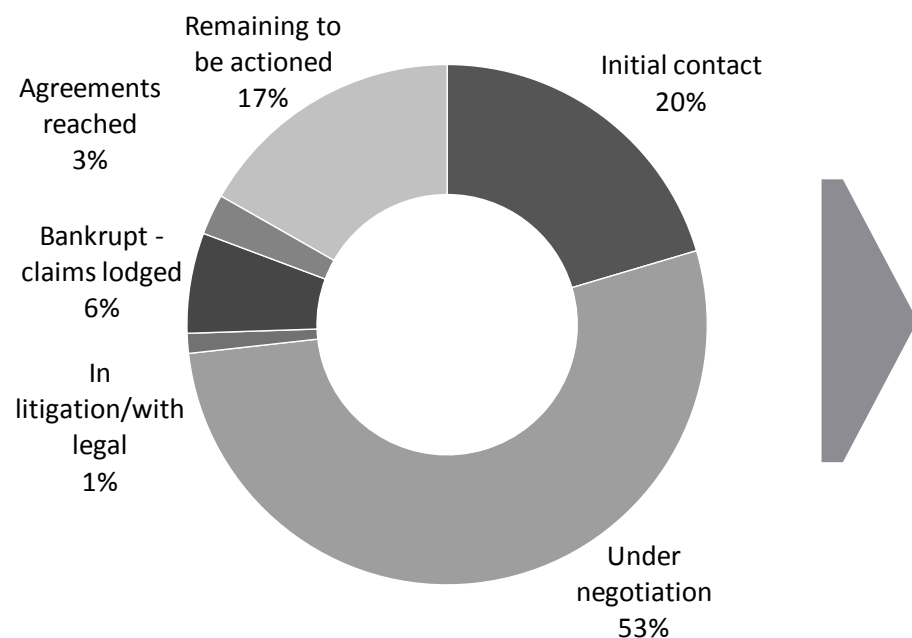
DERIVATIVES



- What is the status of negotiations with counterparties in relation to derivative positions? How much has been settled in 2010?
 - Answers provided on slide: Progress to date by Value



Status of All Derivative Counterparties (ISDA and non-ISDA) by Value



ISDA (Predominantly foreign counterparties)

Total

Total reviewed ⁽¹⁾

By value
%

97%

Status

Initial contact

Under negotiation

In litigation/with legal

Bankrupt - claims lodged

Agreements reached

Remaining to be actioned

Total

%

24%

56%

1%

10%

5%

3%

100%

Non ISDA (Predominantly domestic counterparties)

Total

Total reviewed ⁽¹⁾

By value
%

72%

Status

Initial contact

Under negotiation

In litigation/with legal

Agreements reached

Bankrupt - claims lodged

Remaining to be actioned

Total

%

17%

50%

2%

3%

0%

28%

100%

Notes

(1) Reviewed means initial valuation and legal review complete



- Alvarez and Marsal continue to manage the derivatives unwind process with Olswang as external legal counsel and specialist valuation staff
- All of the high priority counterparties have been reviewed and action has commenced. The primary complications encountered were:
 - Wide discrepancies in ISK rates used leading to protracted analysis and ongoing negotiations
 - Revaluation of exotic structured trades required
 - Set-off becoming a key part of negotiations and requiring extensive legal review under Icelandic law on a case by case basis
 - Rigorous internal approvals
 - Greater level of legal dispute than anticipated coupled to absence of legal precedent
- All major counterparties now engaged and in negotiations or final stages of data reconciliation with counterparties. Of those cases not settled or in bankruptcy themselves (% are by value):
 - 25% are complex cases likely to take a long time to settle (set-off, exotics, high number of trades)
 - 43% are not complex but with set-off issues which will delay settlement
 - 2% are with legal and potentially in litigation for 18 months or more, and this number will grow
 - 30% should proceed in a normal fashion



SUBSIDIARIES



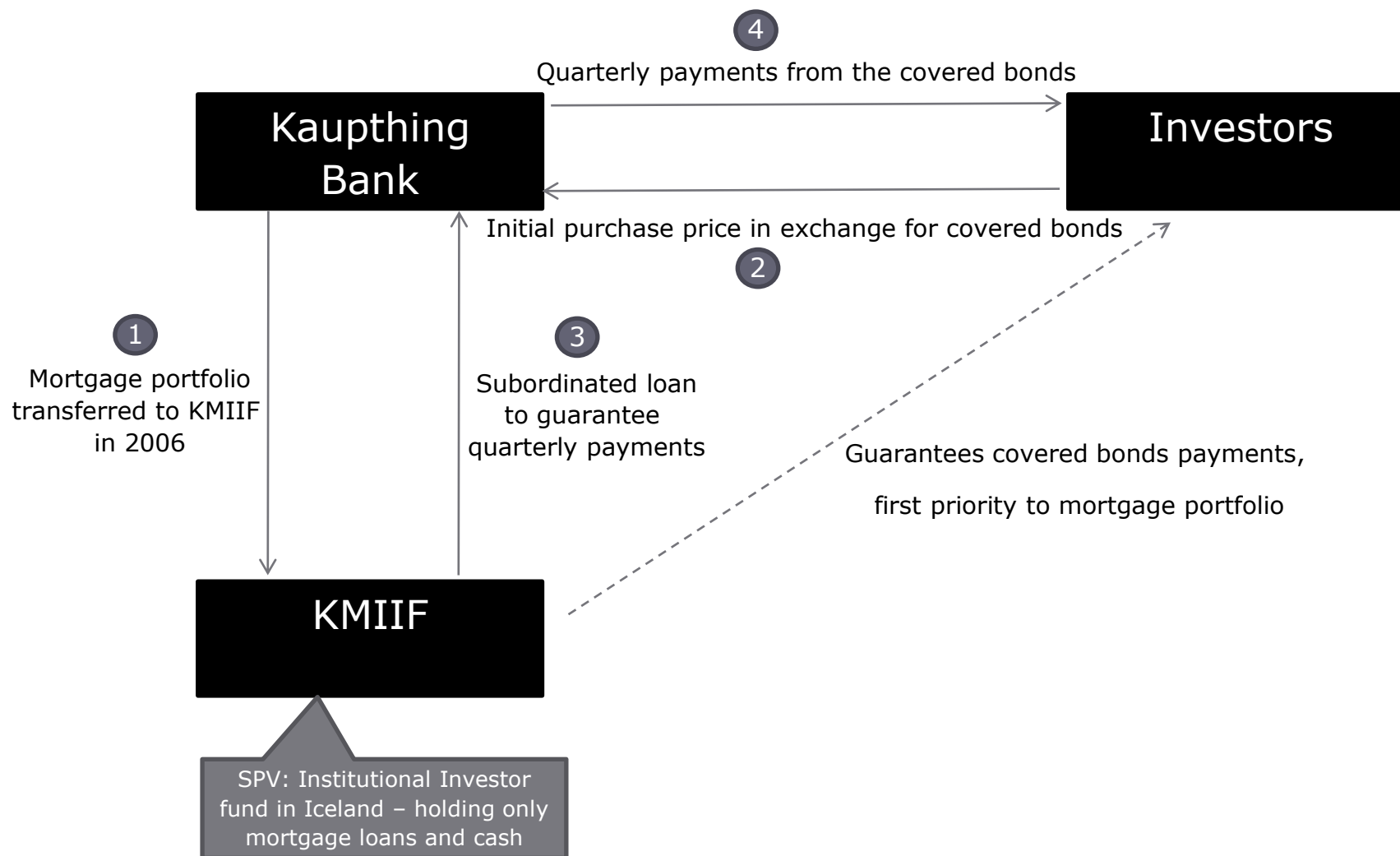
- Is the EUR 35m cash position at NBS Diversified Credit Fund included in Kaupthing's overall cash position?
 - An Irish open-ended investment entity wholly owned by the Bank, currently in a redemption process
 - The only asset in the entity is cash of EUR 35m which is held on deposit with five banks
 - The EUR 35m cash position is not part of the Bank's cash position – it's accounted for in the equity value of the subsidiary
- Why do you show the entire equity of FIH as pledged when it is collateral solely for a EUR 500m loan + interest? Have you attempted to value the equity of FIH or are you just valuing it at the value of the liability it is securing?
 - The equity stake in FIH is shown at estimated current value of the obligation as at 31 December 2009
- Please give an update on the performance of FIH
 - Answers provided on slide: FIH Erhvervsbank
- Are the "Kaupthing Mortgage Fund" and the "Kaupthing Mortgage Institutional Investor Fund" the same and how do they relate to the Kaupthing Bank hf covered bond programme?
- Are the loan under "Subordinated loans to subsidiaries" and the equity of "Kaupthing Mortgage Institutional Investor Fund" subject to set-off?
- Why has the Kaupthing Mortgage Inst. Investor Fund launched a claim against Kaupthing hf. under article 113?
 - Answers to questions related to Kaupthing Mortgage Institutional Investor Fund (which is the same as Kaupthing Mortgage Fund) provided on slide: Kaupthing Mortgage Institutional Investor Fund ("KMIIF") and on slide: Covered Bonds structure
 - The Covered Bonds Base Prospectus can be found at the Bank's website, www.kaupthing.com/Pages/4164



- Subsidiary wholly owned by the Bank.
- Commercial Danish corporate & investment bank focusing on lending to Danish companies supplemented by two advisory units: Corporate Finance (FIH Partners) and Financial Solutions (advisory related to strategic risk management and liability management).
- Regulated by Danish Banking legislation and supervised by the Danish FSA.
- Participant in the Danish State Guarantee Scheme providing an AAA rating to all senior unsecured debt issued prior to 31 December 2010 with a maturity of up to 3 years.
- The Bank remains the sole shareholder of FIH and two representatives of the ResCom, Steinar Thor Gudgeirsson and Ragnar Arnason, professor at the University of Iceland, are board members.
- FIH released Q1 2010 results on 4 May
 - Profit before taxation for the first quarter of 2010 is DKK 294.4 million while profit after taxation is DKK 200.5 million, which is considered satisfactory
 - Net interest income in the first quarter of 2010 was up by DKK 91.5 million on the first quarter of 2009, or 36.7 per cent
 - FIH's expectations for the net profit for the year are upgraded to DKK 550 million before taxation and DKK 400 million after taxation
 - **Further information on FIH operations and performance can be found at www.fih.dk and www.fih.com**



- An operational subsidiary 100% owned by the Bank.
- The fund was established in 2006 when KMIIF acquired a large part of Kaupthing's mortgage portfolio financed via subordinated loan and an equity contribution by Kaupthing.
- Kaupthing issued covered bonds which are guaranteed by KMIIF.
- Purpose of the covered bonds was to fund Kaupthing's mortgage portfolio
- The terms and conditions of the covered bonds reflect the terms and conditions of the underlying mortgages
 - Covered bonds are indexed linked, ISK denominated with two maturities, 25 year and 40 year (originally) – most in the 40 year maturity class (now WAL 32.5 year)
- KMIIF is performing and services all outstanding debt.
- The underlying mortgages are serviced by Arion Bank and the covered bonds are serviced by Stefnir, a subsidiary of Arion Bank. All board members are appointed by Stefnir and are independent from the Bank.



Flow of funds: On a quarterly basis, the bank pays interest and principal to investors, and receives the same amounts from the fund (subordinated loan has exactly the same terms as the covered bonds). Fund receives proceeds from mortgage payments.

ARION BANK UPDATE

MR. EGGERT TEITSSON, MANAGING DIRECTOR OF FINANCE AT ARION BANK AND MR. GISLI OTTARSON, MANAGING DIRECTOR OF RISK MANAGEMENT, WILL PRESENT HIGHLIGHTS FROM RECENTLY PUBLISHED FINANCIAL RESULTS FOR THE YEAR 2009.



- What is the updated valuation gap based on the April 2010 reassessment?
 - Answer provided on slide: Change in valuation of loans and receivables
- When will the updated Arion valuation gap (stood at ISK44.9bn on 31 Dec 09) be made public? Reassessment was due in April 2010.
 - Answer provided on slide: Change in valuation of loans and receivables
- Please provide a breakout of operating expenses for 2009. What is the expected level of operating expenses in 2010 given that a larger amount of operational expenses in 2009 were due to subsidiaries held for sale?
 - Answer provided on slide: Operating expenses
- Please give an update on cash flow for the year to date since 31 December 2009. Has the cash balance continued to decline?
 - Answer provided on slide: Update on liquidity and deposits
- Has the bank experienced any outflow of deposits due to the lowering of interest rates?
 - Answer provided on slide: Update on liquidity and deposits
- Please give an overview of key risks to the business for the remainder of 2010 and 2011.
 - Answers provided verbally mainly in relations to slides in section: Key areas of interest
- Please give an overview of new loans issued in 2010 including average size and terms.
 - Answer provided verbally in relations to slide : Interest rates

Slides referred to on this page can be found in the Arion Bank's presentation



- On page 16 (previously page 14), is #7 a new loan to an existing customer or a new customer?
 - Answer provided verbally in relations to slide: Large exposures
- On page 16 (previously page 14), why are some of the loans (#5, 11, 13) marked at slightly under par? Are these loans considered performing?
 - Answer provided verbally in relations to slide: Large exposures
- Please give an overview of the acquisitions of the two savings banks in 2009 and the performance of those assets relative to the rest of Arion Bank's assets.
 - Answer provided on slide: Acquisitions of SPRON and SPM
- What is the timing of major restructuring cases to be decided and processed?
 - Answer provided on slide: Development of recovery cases
- How has revenue performance been in the first quarter of 2010? Did the bank record net earnings for the first quarter?
 - Answer provided verbally in relations to slide: Forecast/Outlook 2010
- Please give an update on change in headcount over 2009 and current headcount at the bank. Does Arion Bank plan to grow headcount significantly in 2010?
 - Answer provided verbally in relations to slide: Forecast/Outlook 2010

Slides referred to on this page can be found in the Arion Bank's presentation

APPENDIX



- *Performing loans*: Loans to entities where cash flow is sufficient to service debt, i.e. interest and principal repayments and no breaches in agreements are foreseeable in the future.
- *Loans on view list*: Loans to entities where cash flow is sufficient to service debt, i.e. interest and principal repayments, but agreements have been breached or are likely to be breached in the foreseeable future. Some banks include this category within performing loans.
- *Loans on watch list*: Loans to entities where cash flow is insufficient to service debt, i.e. interest and principal repayments and agreements have been breached repeatedly.



- 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 in addition to FX currency rates as at 31 March 2010 from the Icelandic Central Bank.

	31.03.2010	31.12.2009	30.6.2009	31.12.2008
AUD	117,37	112,53	102,90	84,46
CAD	126,05	119,74	109,91	98,72
CHF	120,74	121,18	117,78	113,82
DKK	23,17	24,16	24,04	22,73
EUR	172,51	179,78	179,04	169,27
GBP	194,05	202,65	210,04	176,48
JPY	1,372	1,35	1,32	1,34
NOK	21,52	21,63	19,84	17,39
SEK	17,74	17,54	16,52	15,44
USD	128,12	125,43	127,56	121,10



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