
Creditors' Report Update Meeting

London, 12 October 2010



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Welcome Address & Introduction



- This presentation provides updates of several subject areas and adds to previously issued information, both at these meetings and on www.kaupthing.com.
- Previously issued information is still valid and does, in many instances, provide the reader with background and information and/or goes into more detail on subject matters discussed in this presentation.
- To the extent the Bank is aware of, no other estate under similar legal status is maintaining as comprehensive information disclosure to all creditors as the Bank has maintained during this process. This is done at the Bank's own initiative and without any legal obligations.



- The ResCom 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 June-September updates of the creditors' report and clarify certain areas of interest to creditors based on submitted questions. This meeting is part of:
 - 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 arrangement ensures that there is enough time 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
- ***No questions will be allowed during or after the presentation***
- ***Questions on topics that do not relate to the recent updates of the Creditors' Report will not be addressed. 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.***

Arion Bank



- Please give an overview of the resale processes for Langalina 2, BM Valla and Penninn Holding.
- Please give an overview on the restructuring proceedings with the banks largest accounts in loans to customers.
 - Answers provided in Arion Bank's presentation which can be found on www.kaupthing.com

Winding-up Committee

The Claiming Process



- On page 35 in the Creditors' Report, please explain the second bullet point in regards to the Somerfield transaction, "this is a full and final settlement of all claims raising in the English Proceedings and the BVI Proceedings between Kaupthing and the trustees of TDT". To be clear, does this just relate to the portion of the TDT that relates to Somerfield? Or is the entire TDT claim now considered final and settled?
 - As part of the settlement, the trustees of TDT have withdrawn all claims that relate to the monies arising out of the sale of the Somerfield supermarket chain

In total, withdrawn claims lodged under different articles amounted to ISK 30bn

As a consequence, all the priority claims which the trustees of TDT lodged against Kaupthing have been withdrawn

This agreement doesn't relate to other claims lodged by the trustees of TDT
- Please confirm that the entire ICB deficiency claim will be settled upon the release of the 86bn of pledged equity in FIH as a result of the sale. Will the 125bn of subordinated loan be reduced upon repayment from the sale of FIH.
 - Answer provided on slide: Breakdown of Claims by Article and Type as at 30 September 2010

As part of this transaction FIH has agreed to repay to Kaupthing EUR 100m subordinated loan which was granted to FIH in 2005. This loan is categorized as Subordinated loan to subsidiaries in Loans to and claims against credit institutions in the Bank's statement of assets as at 30.06.2010.



- Highly complex process that has advanced significantly last months:
 - Total amount of lodged claims as at 30 December 2009, ISK 7.316bn
- Substantial progress in reducing claims.
 - Total amount of claims in the list of claims as at 30 September 2010, ISK 6.443bn
- The key priority this year has been to focus on reducing priority claims.
 - Substantial progress in this area
 - Total amount of priority claims in the list of claims as at 30 September 2010, ISK 1.167bn
 - Decreased by ISK 925bn from Creditors' Meeting on 19 May 2010 at which time they amounted to ISK 2.092bn
 - Will further decrease by ISK 101bn when ICB withdraws its claim related to FIH, at the closing of the FIH transaction
 - Task force established to reduce priority claims below the asset values of unencumbered assets
- **Please note that the numbers on the next slides are based on the list of claims as at 30 September 2010.**

Breakdown of Claims by Article and Type as at 30 September 2010



Type	Art. 109	Art. 110	Art. 111	Art. 112	Art. 113	Art. 114	Total
Interests	87	0	48	4.957	634	92	5.818
Bonds	9.080	-	102.012	12.601	3.245.635	461.155	3.830.482
Miscellaneous	26.226	1.539	0	12	143.057	1	170.834
Damages	26.537	317.948	-	1.012	211.575	60.977	618.048
Invoices	159	731	-	70	2.617	251	3.828
Derivatives	26.862	8.728	13.865	118	434.214	18.867	502.653
Deposits	1.700	-	-	8.312	35.835	31	45.878
Guarantees	1.287	-	114	152.709	144.211	1.358	299.679
Contracts	-	43.569	-	-	47.747	0	91.316
Loan Agreements	-	-	188.994	18	366.820	5.639	561.472
Reimbursements	-	-	-	1.308	315	9	1.632
Deposit Agreements	-	-	-	216.817	89.389	4.684	310.890
Grand Total	91.936	372.515	305.033	397.934	4.722.048	553.064	6.442.531

- Included in the table above under article 111 is ISK 101bn claim from the ICB related to a EUR 500m loan granted in October 2008 with a security in FIH shares. On 18 September 2010, the ICB as a pledgee, entered into agreement to sell the shares in FIH. The ICB's claim against Kaupthing is fully settled with this transaction and will not result in a deficiency claim against Kaupthing.
 - Thus, by completion of the transaction, priority claims will further decrease by ISK 101bn

Status of Claims Lodged under each Article



- Please note that the decisions made by the Winding-up Committee, summarized in the table below as at 30 September 2010, may not be final. Decisions are in many cases under dispute.

Decision	Art. 109	Art. 110	Art. 111	Art. 112	Art. 113	Art. 114	Total
Total lodged	91.936	372.515	305.033	397.934	4.722.048	553.064	6.442.531
Adjusted amount*	69.924	383.667	225.039	378.503	4.832.333	553.064	6.442.531
Accepted	1	10.172	93.077	10	1.394.868	-	1.498.126
Rejected**	67.148	329.928	11.469	166.330	1.694.812	452.762	2.722.448
Decision postponed	2.775	43.568	120.494	212.164	1.742.653	100.302	2.221.957

*Adjusted amount is the total amount of all claims that decision is made on under respective article, i.e. rejected, approved or postponed. The difference between adjusted amount and the total amount lodged is when the Winding-up Committee recognises a claim with different priority than claimed.

** Claims here under have been rejected or moved under Art. 114 (subordinated claims). 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.

Final Decisions on Claims by the Winding-up Committee - Accepted



- As at 30 September 2010, final decisions* had been taken on claims amounting to ISK 372bn.
- Thereof accepted claims amounted to ISK 106bn, see breakdown of accepted claims by each article and type below.

Type	Total amount accepted	Art. 109	Art. 110	Art. 111	Art. 112	Art. 113
Guarantees	-	-	-	-	-	-
Derivatives	1.575	-	-	-	-	1.575
Miscellaneous	1.585	-	-	-	-	1.585
Deposit Agreements	136	-	-	-	-	136
Deposits	-	-	-	-	-	-
Reimbursements	-	-	-	-	-	-
Loan Agreements	101.749	-	-	93.077	-	8.673
Invoices	323	-	-	-	-	323
Contracts	-	-	-	-	-	-
Damages	1	1	-	-	-	-
Bonds	68	-	-	-	-	68
Interests	795	-	-	-	-	795
Total accepted	106.232	1	-	93.077	-	13.154

* The Winding-up Committee's decision is deemed final if the creditor concerned accepts the Committee's decision on its claim and he or other creditors do not object to the decision.

All amounts in table in mISK.

Final Decisions on Claims by the Winding-up Committee - Rejected



- As at 30 September 2010, final decisions* had been taken on claims amounting to ISK 372bn.
- Thereof, rejected claims amounted to ISK 266bn, see breakdown of rejected claims by each article and type below.

Type	Total amount rejected	Art. 109	Art. 110	Art. 111	Art. 112	Art. 113	Art. 114
Guarantees	37.271	-	0	-	35.999	0	1.272
Derivatives	1.932	960	0	-	-	971	-
Miscellaneous	32	5	4	-	12	12	-
Deposit Agreements	2	-	0	-	-	2	-
Deposits	1.723	-	0	-	548	1.172	3
Reimbursements	231	-	0	-	156	69	5
Loan Agreements	8.327	-	0	8.233	-	94	-
Invoices	341	-	4	-	8	114	215
Contracts	1	-	1	-	-	0	-
Damages	109	16	61	-	5	24	3
Bonds	213.920	4.978	0	253	179	100.088	108.422
Interests	2.443	65	0	46	447	1.823	63
Total rejected	266.332	6.024	70	8.532	37.354	104.369	109.983

* The Winding-up Committee's decision is deemed final if the creditor concerned accepts the Committee's decision on its claim and he or other creditors do not object to the decision, or if objections to the decision have been submitted too late.

All amounts in table in mISK.



10 Largest Claimants under each Article 109-113

10 Largest Claimants under Article 109



- All amounts in the table below relate to claims filed by the 10 largest claimants under article 109.

Claimants	Total claims under Art. 109	Accepted under Art. 109-112	Accepted under Art. 113	Decision postponed	Amount rejected*	Final Decision
1	24.297	-	-	-	24.297	No
2	19.058	9.965	-	-	9.093	No
3	9.386	-	7.623	-	1.763	No
4	8.178	-	-	-	8.178	No
5	7.505	-	-	-	7.505	No
6	3.972	-	-	-	3.972	Yes
7	3.841	-	-	-	3.841	No
8	1.937	-	-	-	1.937	No
9	1.860	-	-	-	1.860	No
10	1.666	-	-	1.062	603	No
Total 10 largest	81.700	9.965	7.623	1.062	63.050	

- Total claims under article 109 amount to ISK 92bn.
- Total claims lodged by the 10 largest claimants under article 109 amount to ISK 82bn, or 89% of total claims under article 109.

* Claims here under have been rejected or moved under Art. 114 (subordinated claims). 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.

All amounts in table in mISK.

10 Largest Claimants under Article 110



- All amounts in the table below relate to claims filed by the 10 largest claimants under article 110.

Claimants	Total claims under Art. 110	Accepted under Art. 110-112	Accepted under Art. 113	Decision postponed	Amount rejected*	Final decision
1	218.777	-	-	-	218.777	No
2	49.275	-	-	-	49.275	No
3	49.266	-	-	-	49.266	No
4a	46.096	200	37	43.568	2.290	No
4b	66	-	-	-	66	Yes
5	8.558	-	-	-	8.558	No
6	170	-	-	-	170	No
7	135	-	-	-	135	No
8	63	-	51	-	11	No
9	55	-	-	-	55	No
10	16	-	-	-	16	Yes
Total 10 largest	372.477	200	88	43.568	328.620	

- Total claims under article 110 amount to ISK 373bn.
- Total claims lodged by the 10 largest claimants under article 110 amount to ISK 372bn, or 99,9% of total claims under article 110.

* Claims here under have been rejected or moved under Art. 114 (subordinated claims). 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.

All amounts in table in mISK.

10 Largest Claimants under Article 111



- All amounts in the table below relate to claims filed by the 10 largest claimants under article 111.

Claimants	Total claims under Art. 111	Accepted under Art. 111-112	Accepted under Art. 113	Decision postponed	Amount rejected*	Final decision
1a	181.502	-	71.920	101.899	7.683	No
1b	101.309	93.077	-	-	8.233	Yes
2	6.777	-	-	6.777	-	No
3	3.644	-	-	3.644	-	No
4	3.042	-	-	3.042	-	No
5	2.873	-	-	-	2.873	No
6	1.736	-	-	1.736	-	No
7	1.467	-	-	1.467	-	No
8	679	-	-	679	-	No
9	373	-	-	373	-	No
10	319	-	-	319	-	No
Total 10 largest	303.722	93.077	71.920	119.937	18.789	

- Total claims under article 111 amount to ISK 305bn.
- Total claims lodged by the 10 largest claimants under article 111 amount to ISK 304bn, or 99,6% of total claims under article 111.
- Included in the table above is ISK 93bn accepted claim and ISK 8bn rejected claim from the ICB which will be withdrawn by completion of the FIH transaction.

* Claims here under have been rejected or moved under Art. 114 (subordinated claims). 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.

All amounts in table in mISK.

10 Largest Claimants under Article 112



- All amounts in the table below relate to claims filed by the 10 largest claimants under article 112.

Claimants	Total claims under Art. 112	Accepted under Art. 112	Accepted under Art. 113	Decision postponed	Amount rejected*	Final decision
1	88.508	-	-	-	88.508	No
2	86.529	-	-	86.529	-	No
3	52.246	-	-	52.246	-	No
4	35.999	-	-	-	35.999	Yes
5	29.640	-	-	29.640	-	No
6	28.195	-	1.111	-	27.084	No
7	13.180	-	-	13.180	-	No
8	9.309	-	8.782	-	527	No
9	8.763	-	-	8.763	-	No
10	3.998	-	-	2.654	1.344	No
Total 10 largest	356.367	-	9.893	193.013	153.461	

- Total claims under article 112 amount to ISK 398bn.
- Total claims lodged by the 10 largest creditors under article 112 amount to ISK 356bn, or 89% of total claims under article 112.

* Claims here under have been rejected or moved under Art. 114 (subordinated claims). 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.

All amounts in table in mISK.

10 Largest Claimants under Article 113



- All amounts in the table below relate to claims filed by the 10 largest claimants under article 113.

Claimants	Total claims under Art. 113	Accepted under Art. 113	Decision postponed	Amount rejected*	Final decision
1	597.070	578.105	-	18.965	No
2	237.167	-	-	237.167	No
3	163.193	76.050	68.372	18.771	No
4	136.941	-	136.941	-	No
5	130.090	7.258	-	122.832	No
6	125.755	-	91.972	33.783	No
7	115.773	-	115.773	-	No
8	94.252	15.865	6.013	72.374	No
9	93.479	15.076	51.385	27.019	No
10	80.781	-	-	80.781	No
Total 10 largest	1.774.500	692.354	470.456	611.691	

- Total claims lodged under article 113 amount to ISK 4.722bn.
- Total claims lodged by the 10 largest creditors under article 113 amount to ISK 1.775bn, or 38% of total claims under article 113.

* Claims here under have been rejected or moved under Art. 114 (subordinated claims). 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.

All amounts in table in mISK.

Overview of the Bank's Statement of Assets - H1 2010



Results:

- Excluding FX fluctuations, the actual value increase of the Bank's assets* amounted to ISK 119bn in H1 2010.
- The effect of the appreciation of the Bank's functional currency (ISK) on the Bank's account was great during 1H 2010.
 - The ISK appreciated by 9% in H1 2010. Since major part of the Bank's assets are in other currencies the sharp appreciation of the ISK had significant negative impact on the Bank's reported asset values
- Including FX fluctuations, the value of the Bank's assets* increased by ISK 60bn in H1 2010.
- Significant value increase in the loans to customers portfolio and in shares and instruments with variable income.
- Fee income amounted to ISK 800m covering the majority of the Bank's internal operating cost and fully covers salaries and salary related cost.
- The cash reserve amounts to ISK 195bn and increased by ISK 19bn in H1 2010 despite negative impact of ISK 12bn deriving from FX changes on reported cash reserve and ISK 14,5bn cash payment as part of Arion Bank's capitalization.
- Total annualized operating cost in H1 2010 was 0,28% of total assets at carrying value (ISK 2.650bn).

* Assets at fair value net of pledged positions, liabilities related to estate administration cost and known priority liabilities.

Development of the Bank's Asset Base* in H1 2010



Assets	ISK million			EUR million		
	30.06.2010	31.12.2009	% change	30.06.2010	31.12.2009	% change
Cash in hand	195.456	176.066	11,0%	1.247	979	27,3%
Loans to and claims against credit institutions	38.650	53.481	-27,7%	247	297	-17,1%
Loans to customers	304.013	366.894	-17,1%	1.939	2.041	-5,0%
Bonds and debt instruments	7.178	9.539	-24,8%	46	53	-13,7%
Shares and instruments with variable income	57.521	28.849	99,4%	367	160	128,6%
Derivatives and unpaid derivatives	114.476	118.812	-3,6%	730	661	10,5%
Investments in subsidiaries	113.663	27.276	316,7%	725	152	377,8%
Other assets	2.522	7.540	-66,6%	16	42	-61,6%
Total assets	833.479	788.457	5,7%	5.316	4.386	21,2%
Less: Liabilities related to estate admin cost and known priority liabilities	-30.960	-45.545	-32,0%	-197	-253	-22,1%
Total assets*	802.519	742.912	8,0%	5.118	4.132	23,9%

■ The value of the Bank's assets*: Increase in H1 by ISK 60bn or 8% and by EUR 986m or 24% in EUR.

* Assets at fair value net of pledged positions, liabilities related to estate administration cost and known priority liabilities.

All amounts in table in mISK and mEUR.

Statement of Assets on Carrying Value and Fair Value as at end of H1 2010

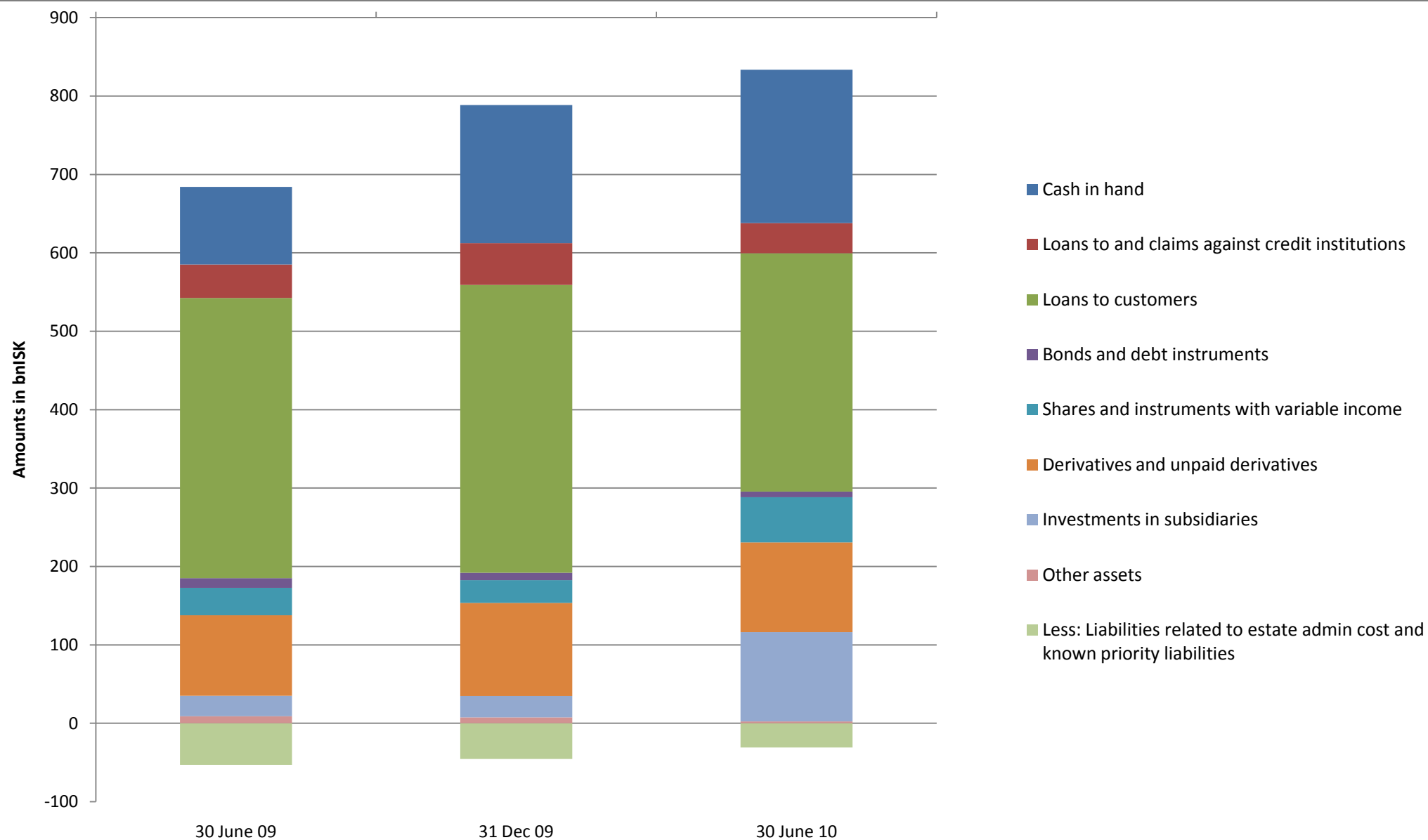


Assets	Carrying value 30.06.2010			Fair value 30.06.2010	
	Total	Unpledged	Provision	Unpledged	Weighted average
Cash in hand	195.456	195.456	0	195.456	100,0%
Loans to and claims against credit institutions	340.202	73.523	-34.873	38.650	52,6%
Loans to customers	1.233.716	1.233.716	-929.703	304.013	24,6%
Bonds and debt instruments	56.108	7.178	0	7.178	100,0%
Shares and instruments with variable income	197.485	57.521	0	57.521	100,0%
Derivatives and unpaid derivatives	369.216	253.762	-139.286	114.476	45,1%
Investments in subsidiaries	216.114	113.663	0	113.663	100,0%
Other assets	41.981	41.981	-39.459	2.522	6,0%
Total assets	2.650.278	1.976.800	-1.143.321	833.479	42,2%
Total assets (EUR).....	16.903	12.608	-7.292	5.316	42,2%

- Total assets under management as at the end of H1 2010 amounted to ISK 2.650bn at carrying value, including assets pledged to counterparties amounting to ISK 673bn.
- Unpledged assets amounted to ISK 1.977bn at carrying value and ISK 833bn at fair value.

All amounts in table in mISK and mEUR.

Development of the Bank's Asset Base* from the end of H1 2009



* Assets at fair value net of pledged positions.
Amounts in bnISK.

Development of the Bank's Asset Base* in H1 2010



Bridge at fair value (unpledged)	Fair value unpledged as at 31.12.2009	Cash flow	FX changes and other	Real value changes	Kaupskil equity injection	Fair value unpledged as at 30.06.2010
Assets						
Cash in hand	176	45,5	-12	0,5	-14,5	195,5
Loans to and claims against credit institutions	53,5	-6	-9			38,5
Loans to customers	367	-29	-24	18	-28	304
Bonds and debt instruments	9,5	-3,5		1		7
Shares and instruments with variable income	29	-0,5	-4,5	33,5		57,5
Derivatives and unpaid derivatives	119	-3,5	-5	4		114,5
Investments in subsidiaries	27,5	-0,5	-2,5	23	66	113,5
Other assets	7,5	-4,5	-0,5			2,5
Less: Payment of known priority liabilities	-45,5			15		-30,5
Total assets	743	-2	-58	95	24	802
Operating costs in period.....		4				
Interest and fee income in Loans to customers.....		-6				
Loan repayments into temporarily pledged bank accounts.....		4				
		0				

ISK 119bn

■ Excluding FX fluctuations, the actual value increase of the Bank's assets* amounted to ISK 119bn in H1 2010.

- ISK 33,5bn from Shares and instruments with variable income
- ISK 24bn due to overcollateralization of pledged positions realized in the Kaupskil equity injection
- ISK 23bn from Investments in subsidiaries (thereof ISK 22bn related to Arion Bank)
- ISK 18bn from Loans to customers (Europe ISK 6bn, Nordic ISK 11bn and NOA ISK 1bn)
- ISK 15bn in reduced priority liabilities (compensation instrument with Arion Bank)
- ISK 5,5bn from other asset classes

* Assets at fair value net of pledged positions, liabilities related to estate administration cost and known priority liabilities.
All amounts in table in bnISK.



- The table below sets out the operating costs of the Bank in H1 2010.
 - Operating costs of the Bank, i.e. for the activities of both the ResCom and the WuC:

(mISK)	H1 2010
Salaries and salary related cost	325
ResCom and WuC	141
External advisors	2.407
- Domestic	511
- Foreign	1.896
Other expenses	395
VAT and other taxes	435
Total	3.703

- Total annualized operating cost in H1 2010 was 0,28% of total assets at carrying value (ISK 2.650bn).
- Fee income amounted to ISK 800m covering the majority of the Bank's internal operating cost.
 - Salaries and salary related cost of the Bank's employees and the cost related to the four members of the ResCom and three members of the WuC is fully covered by fee income
- ISK 435 million, or 12% of the Bank's operating costs in the period, in the form of VAT and other taxes.
- The largest items in the external advisory costs are related to the activities of the Bank's financial advisor, forensic work and the settlement of the derivatives book.
- External cost which relates to the restructuring of loans to customers are generally borne by the borrower.
- Other expenses include expenses related to IT services, housing, offices, custody services, travelling and other staff and administration items.



Cash in Hand



- Can you please explain the difference between the principal repayments from Loans to customers according to the cash bridge of ISK 26,5bn (see slide: Cash in Hand – Development in H1 2010) and the inflow due to principal repayments from Loans to customers of ISK 29bn. (see slide: Loans to Customers - Changes in H1 2010)

- Principal repayments from Loans to customers according to the cash bridge amounted to ISK 26,5bn and principal outflow amounted to ISK 1,5bn. Therefore, net principal repayments increased Cash in hand by ISK 25bn.

In addition, ISK 3,6bn of principal repayments from Loans to customers went into temporarily pledged bank accounts which are categorized under Loans to and claims against credit institutions.

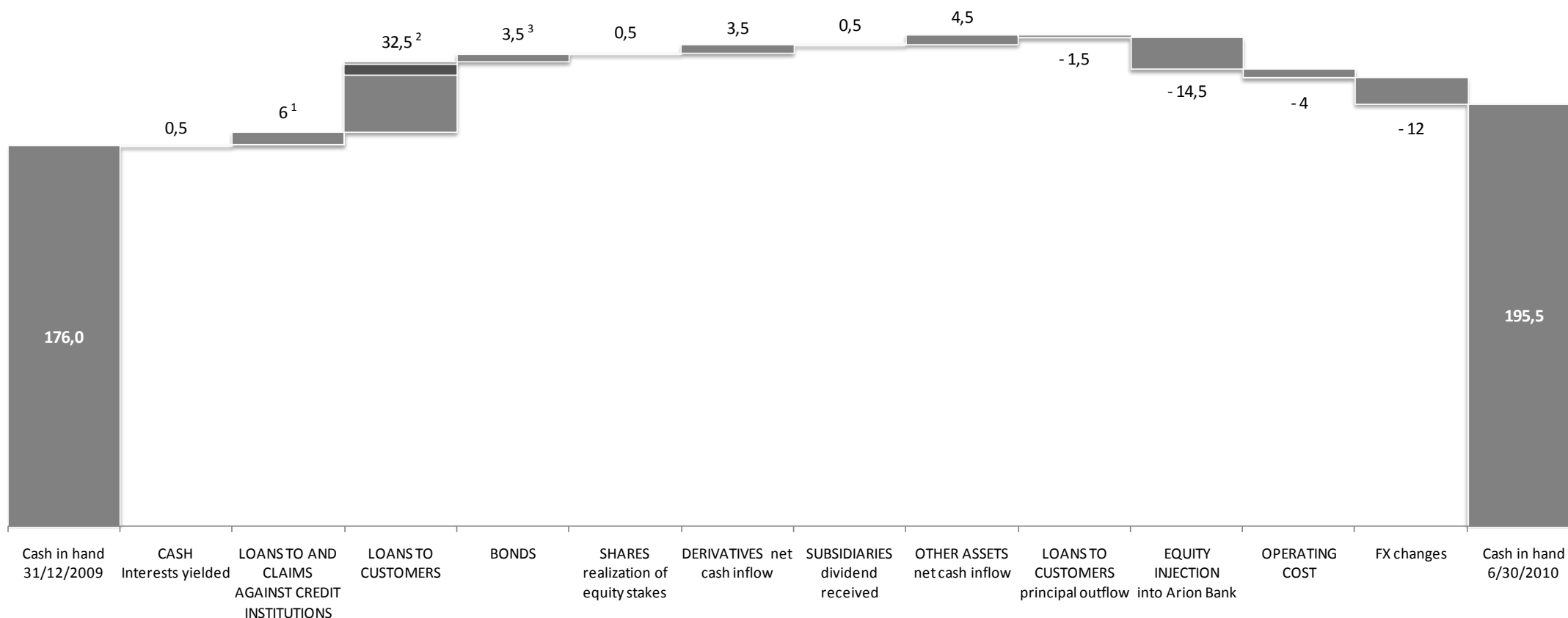
Therefore, total inflow due to principal repayments in Loans to customers amounted to ISK 28,6bn (rounded to ISK 29bn).



Development in H1 2010

- The cash reserve amounted to ISK 195bn and increased by ISK 19bn in H1 2010.
 - Main factors contributing to **increase** in cash in hand in H1 2010:
 - Payments related to Loans to customers of ISK 32,5bn (principal repayments, interest payments and fee income), thereof ISK 14bn from 10 final repayments.
 - Principal payments from Loans to and claims against credit institutions of ISK 6bn
 - Other cash inflow (breakdown provided on the next slide) of approx. ISK 13bn
 - Main factors contributing to **decrease** in cash in hand in H1 2010:
 - ISK 14,5bn of cash was injected into Arion Bank as part of its capitalization in January 2010.
 - ISK 1,5bn cash outflow used to support assets in the Loans to customers portfolio
 - Operating cost in H1 2010 amounted to approx. ISK 3,5bn.
- As the ISK appreciated substantially against most major currencies, FX changes amounting to ISK 12bn have a negative impact on the cash reserve as it is reported in ISK.
- In 2008 and 2009, the Bank repaid priority claims related to deposits amounting to ISK 130bn.
- Cash reserve is kept in the same currencies as the monetised assets were denominated in pre monetisation.

Cash in Hand – Development in H1 2010



- **1** Loans to and claims against credit institutions = 6: Principal payments (6)
- **2** Loans to customers = 32,5: Principal payments (26,5), interest payments (5) and fee income (1)
- **3** Bonds = 3,5: Principal payments (3) and interest payments (0,5)

Amounts in bnISK.

Cash in Hand – Currency Breakdown



- Cash in hand in respective currencies as at 30.06.2010 and 31.12.2009.

Cash in hand	30.06.2010	31.12.2009	Change in currency	% change
EUR	361	227	134	59,0%
GBP	263	204	59	28,8%
ISK	7.475	22.999	-15.525	-67,5%
NOK	1.397	1.222	174	14,3%
SEK	1.629	1.410	219	15,5%
USD	180	137	42	30,7%
CAD	3	3	0	0,2%
CHF	11	7	3	43,6%
DKK	85	31	54	175,9%
JPY	324	317	7	2,3%

- The decrease in ISK is primarily due to ISK 14,5bn cash injection into Arion Bank as part of the capitalization.
- The interests received on the cash reserve in H1 2010 amounted to ISK 644m.

All amounts in table in million of respective currencies as at 30.06.2010 and 31.12.2009.

Loans to and Claims against Credit Institutions



- Does Kaupthing have an indication of the expected recovery of unpledged bank accounts where the counterparty has illegitimately emptied the account? How far have Alvarez and Marsal and the Winding-Up Committee progressed in their analyze of the validity of the seizures?
 - The unpledged bank accounts are related to ca. 30 different jurisdictions. As previously stated, a substantial amount of these bank accounts have been subject to set-off in relation to derivative cases and hence the validity and legality of the freezing/seizure of cash will be concluded as a part of the settlement of the derivative portfolio which is lead by Alvarez and Marsal with the assistance of external legal counsel.

In relation to bank accounts which are not related to derivative set-off, those accounts are being handled by the Bank's internal legal counsel and the Winding-up Committee, who have finished analyzing the validity of the freezing/seizure with respect to Icelandic bankruptcy legislation, up to the extent possible due to lack of information from counterparties, and the bank is currently doing its utmost to retrieve these deposits.



Development in H1 2010

- Loans to and claims against credit institutions amounted to ISK 305bn at fair value and ISK 340bn at carrying value at the end of H1 2010. This asset class is broken down in the tables below at fair value by types of accounts.
 - Unpledged loans to and claims against credit institutions amounted to ISK 39bn at fair value and decreased by ISK 15bn in H1 2010
 - The decrease in Bank accounts is mainly due to cash inflow in H1 2010 of ISK 6bn, negative FX changes and re-classification of a large account (ISK 86bn) into Loans to customers.

Loans to and claims against credit institutions	Total	Pledged 30.06.2010	Unpledged	Unpledged 31.12.2009	% change
Bank accounts	163.143	141.563	21.580	34.590	-38%
Subordinated loans to subsidiaries	140.804	125.116	15.688	17.983	-13%
Other loans	1.382	-	1.382	908	52%
Loans to and claims against credit institutions	305.329	266.679	38.650	53.481	-28%
Loans to and claims against credit institutions (EUR)	1.947	1.701	247	297	-17%

All amounts in table in mISK and mEUR.



Loans to Customers



- What has driven the value increase in the loan to customer portfolio in H1 2010? Does the ResCom feel the ability of the customers to repay debt has improved over the period?
 - Answers provided on slide: Loans to Customers – Development of Fair Value and Accumulative Net Cash Inflow
- Are the principal repayments in the loan to customers segment solely related to the Europe portfolio? Please breakout by portfolio the principal repayments over H1 2010”?
 - Answers provided on slide: Loans to Customers – Actual Cash Inflow in H1 2010
- Please explain more specifically the 1,5bn cash outflow used to support assets in the loan to customers portfolio.
 - Answers provided on slide: Cash Outflow to Support Assets in Loans to Customers Portfolios
- What is the current number and amount of loans which have been realised since October 2008 and how many have been paid in full? What is the weighted average recovery of loans realised in H1 2010?
 - Answers provided on slide: Repayments and Exits – Summary Report
- Could you please give a summary of any major restructuring processes that are currently being taken place at the bank?
 - Several restructuring exercises are ongoing. However, due to the sensitive nature of and around some ongoing projects and existing restriction from bank secrecy law it is impossible to provide information on certain projects.
- Could you please give a summary of any major divestiture processes that are currently being taken place at the bank?
 - Assets that have been identified for potential monetization but which have not been made public will not be disclosed now due to the risk that it might compromise the value of the Bank’s assets.

The only major loan and equity position that is in a formal sales process is the Middlesex Site. See slide Update on the Middlesex Site.



- Loans to customers amounted to ISK 304bn at fair value and ISK 1.234bn at carrying value at the end of H1 2010.
- The portfolio is divided into three portfolios:
- The Europe and Nordic portfolios are actively managed by the asset management team and most of the loans have underlying operations or assets
- The loans in the NOA portfolio consist primarily of non-operating assets.
 - The increase in the carrying value of the NOA portfolio in H1 2010 is due to a reclassification of two accounts of ISK 115bn carrying value which as at YE 2009 was categorized in Loans to and claims against credit institutions. In addition, penalty interests are accumulating which increases the carrying value.
 - The portfolio is under the supervision and management of the Inspection Committee and undergoes thorough revision by the Committee.

Loans to customers	Carrying value	Fair value	Weighted average	Carrying value	Fair value	Weighted average
	30.06.2010			31.12.2009		
Europe	243.421	146.604	60,2%	325.803	176.033	54,0%
Nordic	179.489	120.627	67,2%	231.377	152.294	65,8%
NOA	810.806	36.782	4,5%	707.983	38.567	5,4%
Pledged	-	-	-	107.917	84.054	77,9%
Loans to customers	1.233.716	304.013	24,6%	1.373.080	450.948	32,8%
Loans to customers (EUR)	7.869	1.939	24,6%	7.638	2.508	32,8%

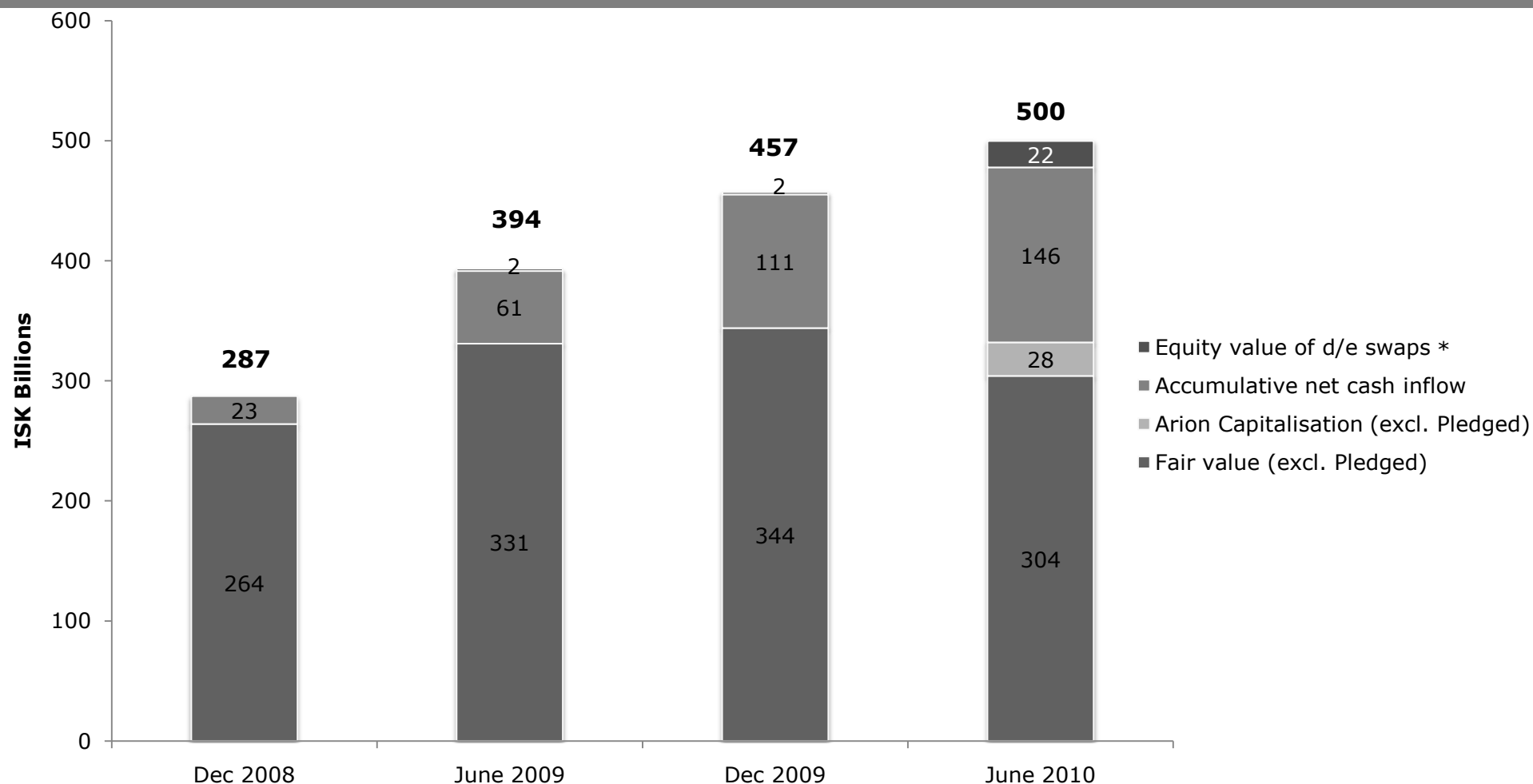
All amounts in table in mISK and mEUR.



- The fair value of the Loans to customers amounted to ISK 304bn and decreased by ISK 147bn in H1 2010.
 - The decrease is driven by transfer of loans to Arion Bank of ISK 28bn, (see description below), inflow due to principal repayments of ISK 29bn and negative FX changes of ISK 24bn.
- Value increase, excluding FX variations, in H1 2010 related to loans to customers amounted to ISK 18bn.
 - Europe portfolio: ISK 147bn at fair value (actual value increase in H1 2010 ISK 6bn)
 - Nordic portfolio: ISK 121bn at fair value (actual value increase in H1 2010 ISK 11bn)
 - NOA portfolio: ISK 37bn at fair value (actual value increase in H1 2010 ISK 1bn)

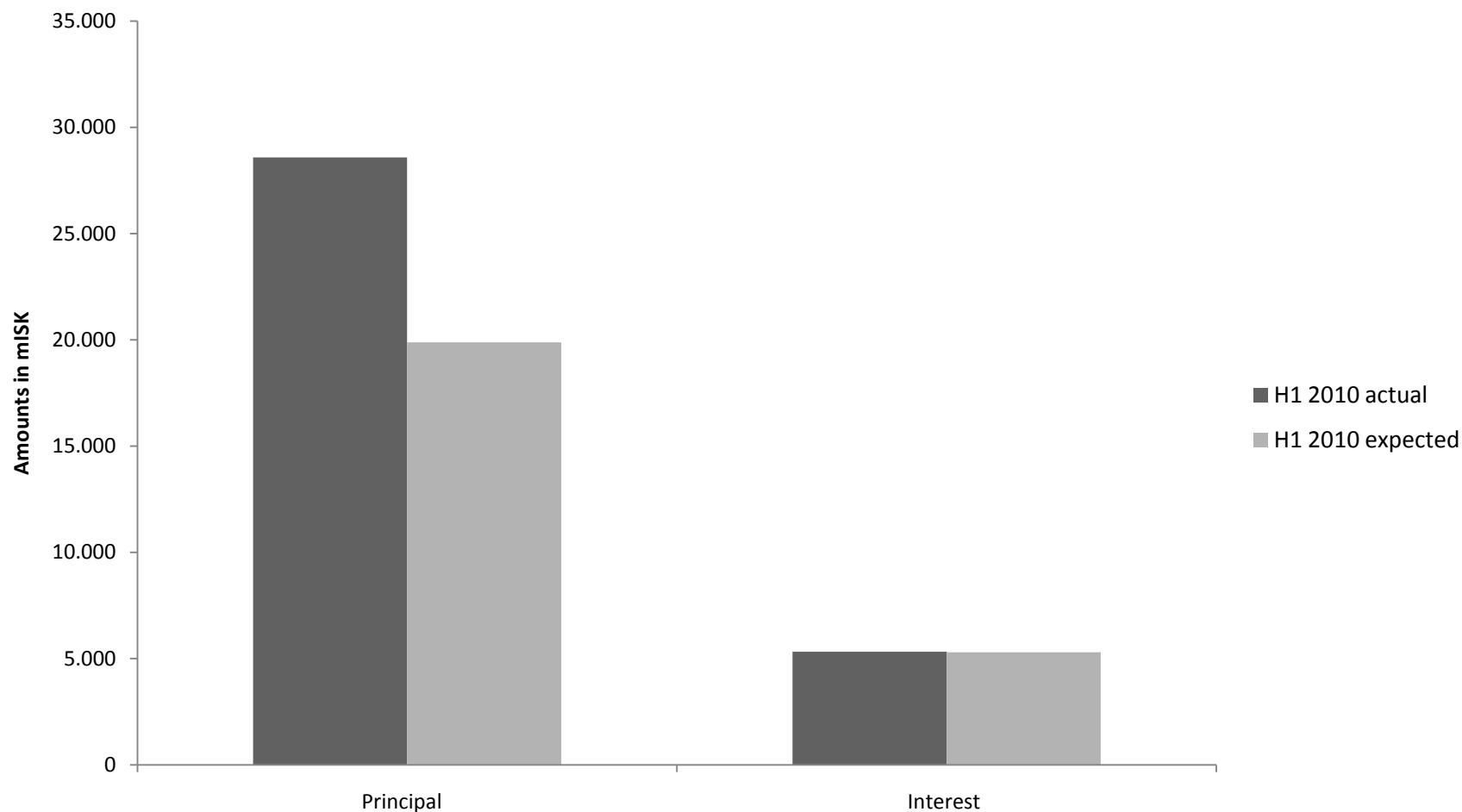
Loans transferred to Arion Bank

- The pledged portfolio amounting to ISK 84bn at fair value as at YE 2009 and included 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 ICB.
 - 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 included in Kaupthing's parent company accounts as at the end of H1 2010.
- The loans in the Nordic portfolio which were injected into Arion Bank amounted to ISK 20,4bn at fair value and ISK 21bn at carrying value.
- The loans in the Europe portfolio which were injected into Arion Bank amounted to ISK 7,6bn at both fair value and carrying value.



- Hands-on asset management and loan restructurings together with improved market conditions continue to create value in loans and equity positions. It is the ResCom's view that the ability of the customers to repay debt has on average improved over the period.
- Please note that the above accumulated cash inflow is shown net of pledged assets and is converted to ISK as at 30.06.2010 FX rate.

* This excludes the value of supporting investments, warrants and other securities.



- Collected principal payments related to Loans to customers in H1 2010 amounted to ISK 28,6bn vs. ISK 19,9bn expected.
- Collected interest payments related to Loans to customers in H1 2010 was ISK 5,3bn in line with expectations.
- Fee income in H1 2010 amounted to ISK 800m.

All amounts in table in mISK.

Loans to Customers – Actual Cash Inflow in H1 2010



- Total cash inflow from Loans to customers in H1 2010 amounted to ISK 34,7bn as can be seen in the table below.
- The tables to the right break up the actual cash flow by performance and realized loans which were paid up in H1 2010.

Portfolio	Total	Principal	Interest	Fee
Europe	17,1	14,1	2,6	0,4
Nordic	17,1	14,0	2,7	0,4
NOA	0,5	0,5	0,0	-
Total	34,7	28,6	5,3	0,8

Performing loans				
Portfolio	Total	Principal	Interest	Fee
Europe	9,8	7,4	2,3	0,1
Nordic	12,2	9,7	2,2	0,4
NOA	-	-	-	-
Total	22,0	17,1	4,5	0,5

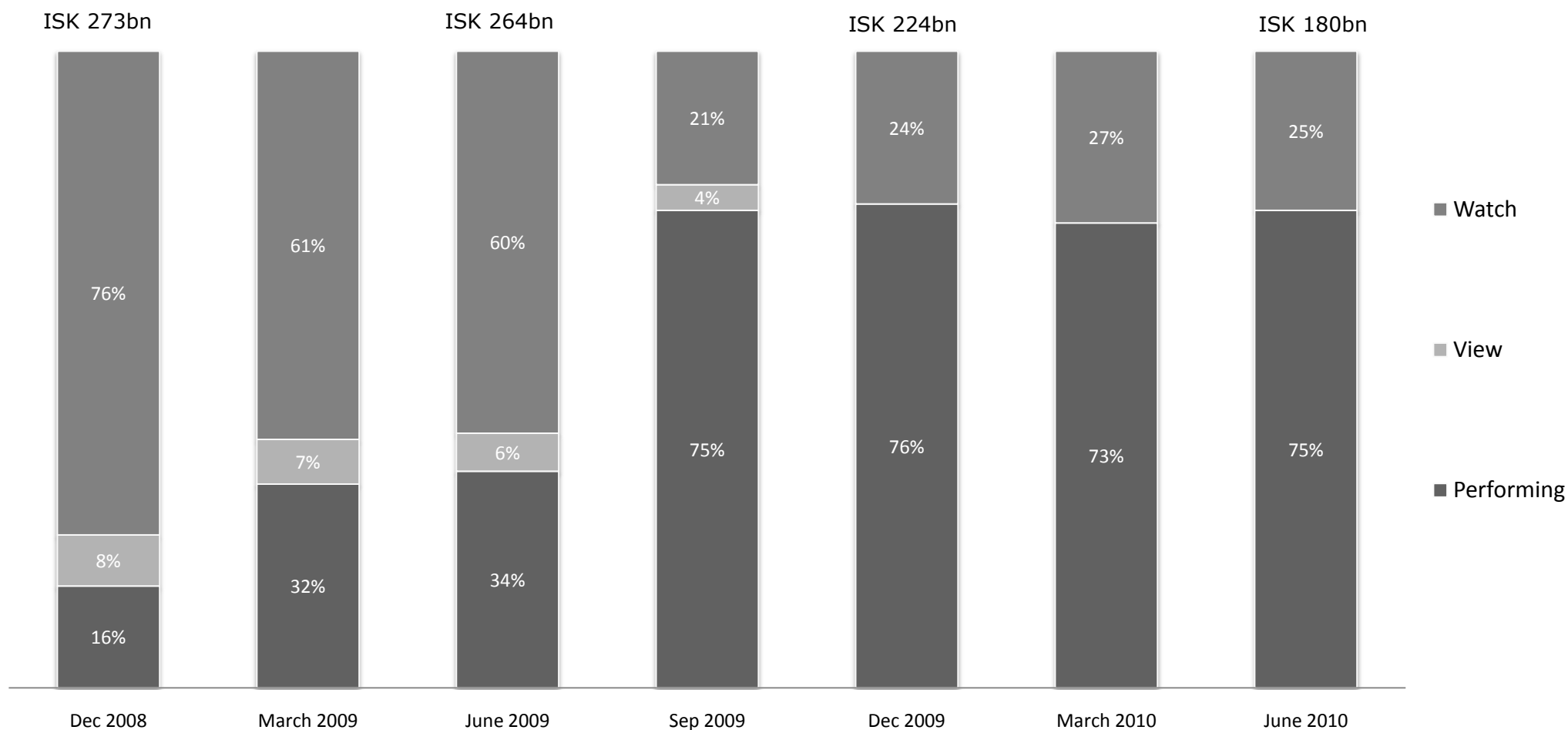
Loans on view list				
Portfolio	Total	Principal	Interest	Fee
Europe	-	-	-	-
Nordic	0,2	0,1	0,1	-
NOA	-	-	-	-
Total	0,2	0,1	0,1	-

Loans on watch list				
Portfolio	Total	Principal	Interest	Fee
Europe	0,1	0,1	0,0	-
Nordic	0,1	-0,1	0,2	0,0
NOA	0,1	0,1	0,0	-
Total	0,3	0,1	0,2	0,0

Loans paid up / realized				
Portfolio	Total	Principal	Interest	Fee
Europe	7,2	6,6	0,3	0,3
Nordic	4,5	4,3	0,3	-
NOA	0,4	0,4	0,0	-
Total	12,2	11,2	0,6	0,3

All amounts in tables in bnISK.

Europe Portfolio* at Carrying Value – Performance



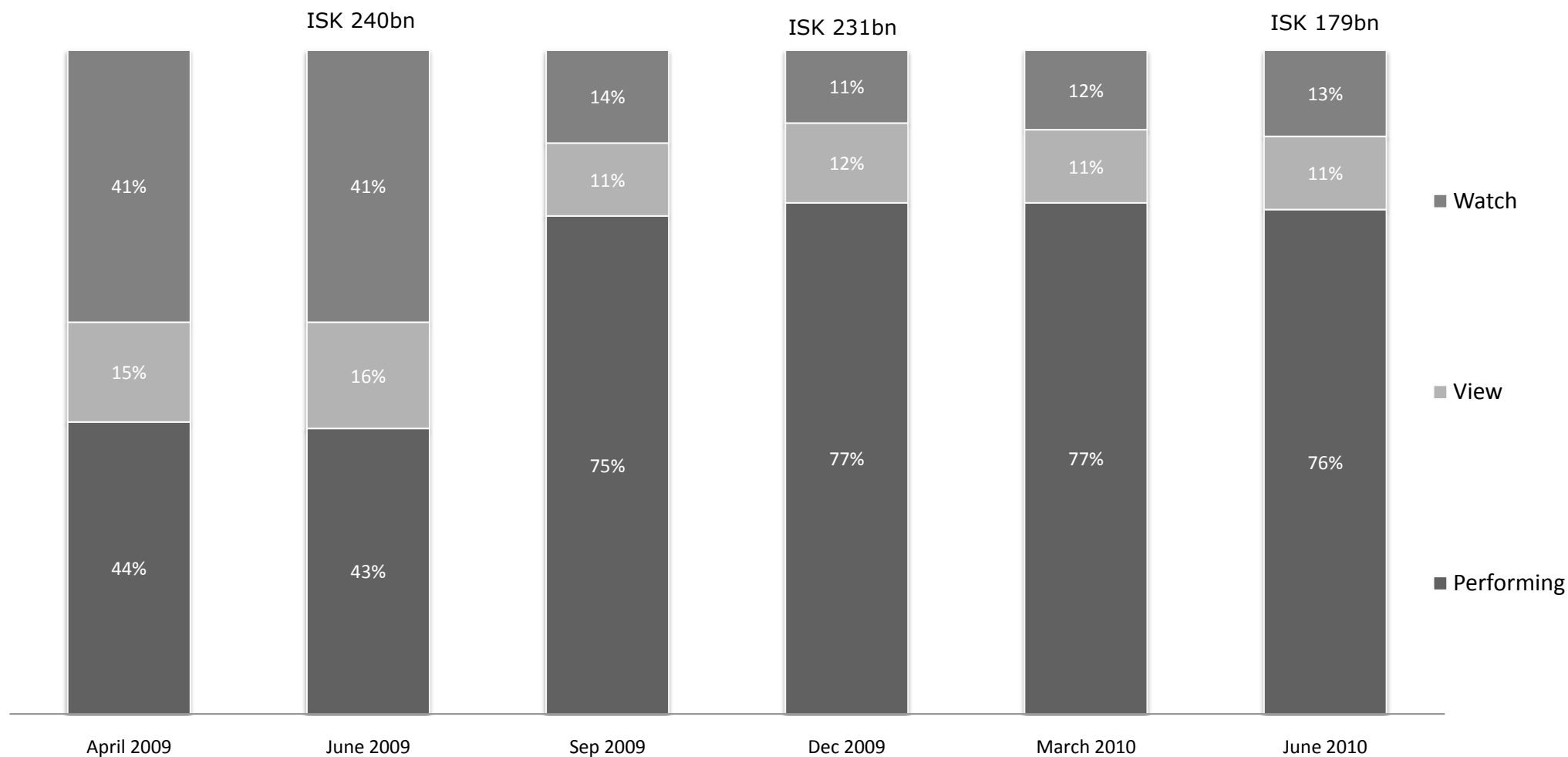
- The weighted average (fair value/carrying value) of performing assets in the Europe portfolio in H1 2010 is 86,0%, on a like-for-like** basis it was 85,8% at year-end 2009.

For definition of watch, view and performing, see note 13 in the Statement of Assets in the Bank's Creditors' Report.

* The Europe portfolio, excluding Project Los Angeles and the Bank's financing of NoHo Square (real-estate development at standstill) where the Bank has also all the equity.

** Using the weighting of 30 June 2010 for the average valuation of 31 December 2009.

Nordic Portfolio at Carrying Value – Performance



- The weighted average (fair value/carrying value) of performing assets and assets on view list, in the Nordic portfolio in H1 2010 is 71%, on a like-for-like* basis it was 67% at year-end 2009.

For definition of watch, view and performing, see note 13 in the Statement of Assets in the Bank's Creditors' Report.

* Using the weighting of 30 June 2010 for the average valuation of 31 December 2009.



- The decrease in carrying value in the Europe and Nordic loan portfolios in H1 2010 is primarily driven by:
 - Principal repayments in H1 2010, mainly from performing loans, of ISK 28bn (see slides: Loans to Customers – Actual Cash Inflow in H1 2010)
 - Loans transferred to Arion Bank as part of its capitalization of ISK 28bn
 - The carrying value has been reduced in accordance with the debt-to-equity conversion implemented in H1 2010 of ISK 8bn
 - Considerable FX fluctuations in H1 2010 which result in decrease in the carrying value as it is reported in ISK

- In H1 2010, the Bank wrote-off a part of its exposure to Mosaic Fashions (in administration since March 2009) of carrying value ISK 36bn. Other write-offs in the period amounted to ISK 1bn
 - Those assets are valued at zero in the Bank's accounts, but for practical and technical reasons the carrying value is still in the Bank's systems.



- Mainly performing loans have been repaid (see slides: Loans to Customers – Actual Cash Inflow in H1 2010).
 - Since the Bank's Loans to customers' portfolio is a static portfolio, it is expected that the portfolio shows declining performance through time - everything else being equal
- Arion Bank was recapitalised with performing loans.
 - Transfer of performing assets in the recapitalization of Arion Bank skews the comparison between periods in the performance slides
- Substantial part of the loans that are now on the watch list are expected to remain on the watch list for some time.
 - These loans will only become performing after a formal composition has taken place e.g. some option value assets transferred from Arion Bank to Kaupthing in Q4 2009 at Kaupthing's request
- Some time after restructuring one should expect some setback in performance of a static portfolio.
 - Even though this has not been the experience so far, one should keep in mind that when restructuring assets, the debt level is set at a level not lower than perceived enterprise value at restructuring. This leaves little leeway for unfavourable development of any particular asset. It can therefore be expected that ultimately some assets might drop to the watch list and that the assets will be in a need for further reorganisation.
- Many of the loans on the watch list are accruing default interest.



- The Bank is not actively trying to sell off assets and strongly refuses any fire sale bids.
- 40 loans been realised to date with a total cash flow amounting to approx. ISK 72bn, thereof 30 loans have been paid in full, amounting to ISK 57bn.
- Weighted average recovery of realised loans:
 - 90,3% from October 2008
 - 97% in 2009
 - 93% in H1 2010

Quarter	Number of loans	Amount (mISK)	Recovery
Q2 2010	5 loans	4.728	90,4%
Q1 2010	5 loans	9.034	94,4%
Q4 2009	8 loans	21.077	97,3%
Q3 2009	5 loans	7.192	100,0%
Q2 2009	12 loans	9.025	95,2%
Q4 2008	5 loans	20.578	78,6%
Total	40 loans	71.634	90,3%



- Please explain more specifically the 1,5bn cash outflow used to support assets in the loan to customers portfolio.
 - Total outflow in the loans to customers' portfolio amounted to ISK 1,5bn in H1 2010.
 - Two accounts where there was outflow amounting to ISK 401m (EUR 2,6m) to protect assets
 - Two accounts where there was an outflow due to a contractual obligation in existing revolving credit facilities amounting to ISK 1.079m (EUR 6,9m)



- From the outset the Bank has followed a structured process when and how decisions are made regarding potential asset disposals.
- An announcement, regarding the sales process for the Middlesex Site, was published 2 March 2010 on the Bank's website, www.kaupthing.com and incorporated in the Creditor's Report 9 March 2010.
- Extensive sales process
 - CBRE engaged to handle the sale process
 - Overall, a good sales process and lead to competitive bidding
- The Bank is now in exclusive discussions in a 50/50 JV structure.
 - Nothing has been signed
 - HoT agreed but still in work process,
 - Close to signing of on the Joint Venture
- JV objectives
 - To reach practical completion of the construction of the project by July 2014 and project completion before October 2016
 - The long term objectives are maximization of the Bank's assets



- On 17 September 2010 Bay Restaurant Group (Bay) announced the sale of 22 ha ha bar & grill restaurants (ha ha) to Mitchells & Butlers for a consideration of GBP 19.5 million. This part of Bay's operations EBITDA amounted to GBP 2.6 million in the fiscal year ending in February 2010.
- After capital restructuring in July 2009, Kaupthing Bank and another bank became major shareholders in Plato Company 3 which is the 100% holding company of Bay and sister company T&C Pub Company.
- Following thorough analysis of potential options, number of advisory firms were approached and had the opportunity to pitch for an advisory role.
 - As part of the mandate process the advisory firms were asked to produce a desk top valuation and give their recommendation.
 - The previous enquires and the valuation indicated that potential sale value could be in line with the future target value of the Bank.
 - McQueen was appointed as an advisor based on their comprehensive experience of the industry.
- Decision was made to put ha ha into a formal auction process.
 - Vendor due diligence conducted and approx 20 offers were received in a formal sales process
- Strong sales price
 - EBITDA multiples around 7,5x which is particularly good for a leasehold business.
 - The alternative was an extensive and costly roll-out of the brand in the next few years.
 - Furthermore, the disposal of ha ha enables management to sharpen the focus on the remaining La Tasca operations, which comprises 75 restaurants, mainly in the UK.
 - It is anticipated that although the vast majority of the sale proceeds will be used to repay the two banks, some of the proceeds will be reinvested in the La Tasca business as Bay embarks on a two year investment programme in the brand.

Shares and Instruments with Variable Income

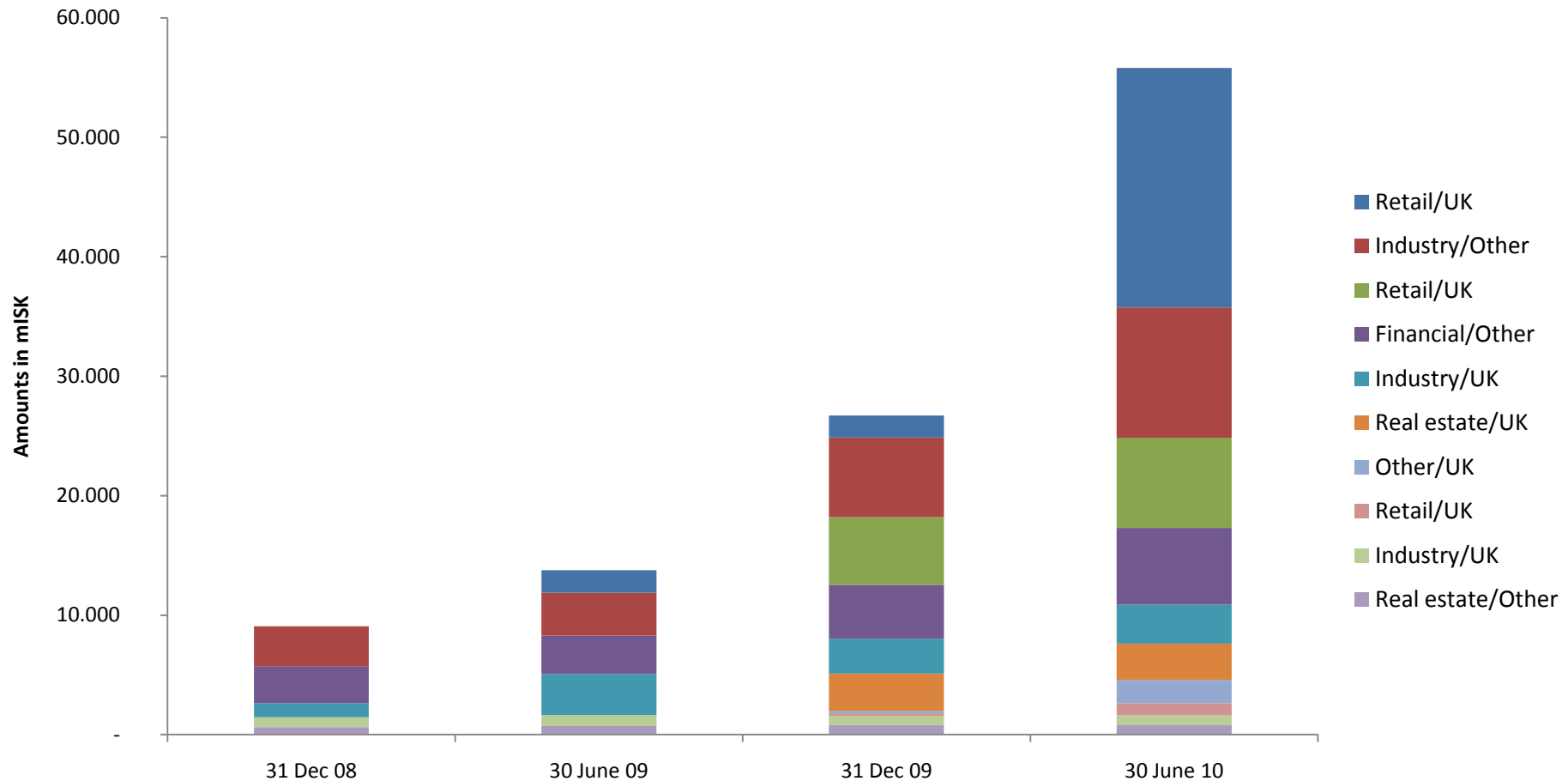


- Shares and instruments with variable income amounts to ISK 197,5bn at the end of H1 2010. This asset class is broken down in the tables below at fair value by types of accounts.
 - Unpledged shares amounted to ISK 57,5bn and increased by ISK 28,7bn in H1 2010
 - Pledged positions amounted to ISK 140bn and decreased by ISK 10bn in H1 2010 solely due to FX changes as the pledged positions have been fixed at the assumed market value of the underlying collateral as at the Bank's interpretation of the valuation date of the underlying agreements.

Shares and instruments with variable income	Total 30.06.2010	Pledged 30.06.2010	Unpledged 30.06.2010	Unpledged 31.12.2009	% change
Listed	145.418	139.964	5.454	5.118	7%
Unlisted	52.067	-	52.067	23.731	119%
Shares and instruments with variable income	197.485	139.964	57.521	28.849	99%
Shares and instruments with variable income (EUR)	1.260	893	367	160	129%

- The value increase in unpledged shares is driven by real value changes in H1 2010 amounting to ISK 33,5bn. See further on the next slide.
- FX changes amounting to approx. ISK 4,5bn have a negative impact on the shares and instrument with variable income as it is reported in ISK.

Shares and Instruments with Variable Income – 10 Largest Unpledged Positions



- Excluding FX fluctuations, the actual value increase amounts to ISK 33,5bn in H1 2010
- This significant value increase comes from equity positions through debt for equity swaps and general asset management.
 - When converting debt for equity the Bank endeavors to set the debt level not lower than perceived enterprise value at restructuring



Derivatives and Unpaid Derivatives



- I refer to the ongoing uncertainty surrounding the valuation of certain derivative contracts. For example, where there is no independent reference rate for resetting a foreign currency forward contract. I would imagine the counterparty may seek avoidance of the contract on the basis that it is not possible to establish an applicable rate. It would be helpful if you could clarify whether the Resolution Committee views potential avoidance action as a significant threat to the derivative asset value of ISK 369bn as at 30 June 2010. If significant, I would be grateful if you could confirm whether it is considered as part of the 'legal and valuation uncertainties' factored into the provisions (page 38 in the Financial Information H1 2010 – Supplementary Material dated 28 September 2010).
 - Under contracts governed by ISDA, the lack of a clear reference rate does not give grounds for avoidance of trades. It becomes a question of selecting a commercially reasonable market rate to use in the valuation, which does naturally add a degree of uncertainty into valuations. The derivative team has worked hard to determine appropriate market rates and minimise this risk.

On the non-ISDA side, we have a few cases, where counterparties are attempting to void the contracts and this is on other grounds than the lack of a reference rate. Hence, potential avoidance of the contract on the basis that it is not possible to establish an applicable rate is not viewed as a significant threat on the non-ISDA side.

The provisions include subjective evaluation of known legal and valuations uncertainties known as at the date of the issuance of each financial statement.

Derivatives and Unpaid Derivatives – Assets - Overview



- Derivatives and Unpaid Derivatives - Assets amounted to ISK 229,9bn at fair value as at the end of H1 2010.
 - Derivatives, i.e. open contracts: ISK 4,1bn at fair value. All these contracts are governed by General market terms and conditions.
 - Unpaid derivatives, i.e. matured and terminated trades as well as unpaid cash flow from open trades: ISK 225,8bn at fair value
- Estimated netting effects on Derivatives and Unpaid Derivatives – assets amounted to ISK 115,5bn.
 - This estimation reflects the Bank's current best estimate but any final valuation will depend on the agreement reached with the counterparties.

Derivatives and unpaid derivatives	Carrying value	Provision	Fair value	Avg valuation	Carrying value	Provision	Fair value	Avg valuation
	30.06.2010				31.12.2009			
Derivatives	6.618	(2.507)	4.111	62,1%	18.265	(10.684)	7.581	41,5%
Unpaid derivatives*	362.598	(136.779)	225.819	62,3%	372.964	(141.528)	231.436	62,1%
Derivatives and unpaid derivatives	369.216	(139.286)	229.930	62,3%	391.229	(152.212)	239.017	61,1%
Derivatives and unpaid derivatives (EUR)	2.355	(888)	1.466	62,3%	2.176	(847)	1.330	61,1%
Estimated netting effects due to collateral:			(115.454)				(120.204)	
Fair value of Derivatives and unpaid derivatives net			114.476				118.813	

*Matured and terminated trades, and unpaide cash flow from open trades.

- Settlements, partial or complete, were reached with close to 40 counterparties in H1 2010 resulting in cash inflow of c. ISK 3,5bn.
- FX changes amounting to approx. ISK 5bn have a negative impact on derivatives and unpaid derivatives as it is reported in ISK.
- Real value increase in H1 2010 amounted to ISK 4bn.

Derivatives and Unpaid Derivatives – Assets - Overview



Derivatives and unpaid derivatives	Carrying value	Provision	Fair value	Carrying value	Provision	Fair value
		30.06.2010			31.12.2009	
Unpaid FX Trades, Asset Swaps, IRS, FX Options*	6.618	(2.507)	4.111	372.245	(140.793)	231.452
Open FX Trades, Asset Swaps & IRS	-	-	-	16.275	(8.962)	7.313
Unpaid Credit Derivatives*	360.192	(134.919)	225.273	(5.935)	(43)	(5.978)
Unpaid Equity Options*	(5.659)	1.552	(4.107)	6.491	(589)	5.902
Open Caps, Floors, Barriers	5.779	(1.201)	4.579	1.991	(1.722)	269
Unpaid Caps, Floors, Barriers*	2.286	(2.212)	74	162	(103)	59
Derivatives and unpaid derivatives	369.216	(139.286)	229.930	391.229	(152.212)	239.017
Derivatives and unpaid derivatives (EUR)	2.355	(888)	1.466	2.176	(847)	1.330
Estimated netting effects due to collateral:			(115.454)			(120.204)
Fair value of Derivatives and unpaid derivatives net			114.476			118.813

* Matured and terminated trades, and unpaide cash flow from open trades

- A derivative contract is accounted for as an asset if the total net position of all derivatives contract of the counterparty is in the bank's favor. Negative unpaid carrying value in the analysis of assets is therefore always counteracted 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, not a product level, and is reviewed regularly as the Bank progresses in the derivatives stream.

All amounts in table in mISK and mEUR



ISDA

Status by CP ⁽¹⁾	January	May	August	
	%	%	%	#
Remaining to be actioned	64%	10%	3%	3
Initial contact	26%	39%	7%	6
Under negotiation	9%	34%	57%	49
Agreements reached	1%	6%	20%	17
In litigation/with legal	0%	1%	2%	2
Bankrupt - claims lodged	0%	10%	10%	9
Total	100%	100%	100%	86

Non-ISDA

Status by CP ⁽¹⁾	January	May	August	
	%	%	%	# ⁽²⁾
Remaining to be actioned	29%	27%	2%	4
Initial contact	14%	9%	3%	8
Under negotiation	41%	26%	21%	49
Agreements reached	12%	30%	57%	134
In litigation/with legal	5%	6%	14%	34
Bankrupt - claims lodged	0%	3%	3%	8
Total	100%	100%	100%	237

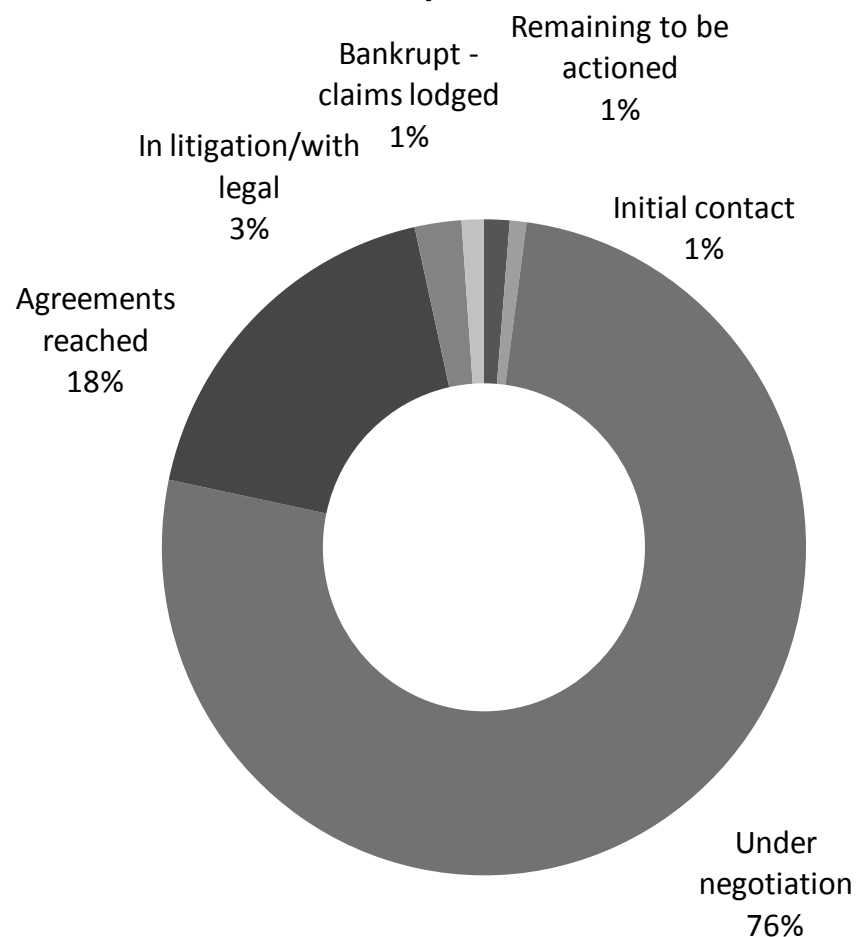
Notes

(1) Progress over time tracked by counterparty rather than value as it provides more accurate tracking

(2) Non-ISDA Counterparties excludes pension funds and other kaupthing entities hence 237 rather than 281 CPs



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



Asset status by value ⁽¹⁾

	Non-ISDA	ISDA
	%	%
Remaining to be actioned	0%	3%
Initial contact	0%	2%
Under negotiation	79%	73%
Agreements reached ⁽²⁾	18%	18%
In litigation/with legal	3%	2%
Bankrupt - claims lodged	0%	2%
Total	100%	100%

Notes

(1) By value = Absolute net fair value after collateral at 30 Jun 2010, excluding cash payments received

(2) Settlement values may not equal the book values. Includes "settled in principal" and zero statements



- Alvarez and Marsal continue to manage the derivatives unwind process with Olswang as external legal counsel and specialist valuation staff.
- Continue to deal with the primary barriers to rapid settlement:
 - Wide discrepancies in ISK rates used leading to protracted analysis and ongoing negotiations escalating to the highest levels in our counterparties
 - External independent valuation audit/support now in place for credit and structured trades
 - Set-off now well progressed but continues to stall while counterparty's object to decisions
 - Greater level of legal dispute (especially where there are wide valuation spreads) than anticipated coupled to absence of legal precedent



Investments in Subsidiaries

Investments in Subsidiaries – Development in H1 2010



- Investments in subsidiaries amounted to ISK 216,1bn at the end of H1 2010.
 - Unpledged positions amount to ISK 113,6bn and increased by ISK 86,4bn in H1 2010, driven by Kaupthing's equity stake in Arion Bank via Kaupskil ehf, which was not included in the Bank's asset valuation as at year end 2009.
 - Pledged positions amount to ISK 102,5bn and decreased by ISK 11,9bn in H1 2010
- FX changes amounting to approx. ISK 2,5bn have a negative impact on investments in subsidiaries as it is reported in ISK.
- Investments in subsidiaries are accounted for by an equity method where value is derived from subsidiaries net assets as at 30 June 2010 except for FIH which is shown as fully pledged against a loan with the ICB at the estimated value of the obligation at the reporting date. The estimated value has been reduced which contributes to the decrease in the value of the pledged positions.

Investments in subsidiaries	Total 30.06.2010	Pledged 30.06.2010	Unpledged 30.06.2010	Unpledged 31.12.2009 % change	
Kaupskil ehf. (Arion Bank), Iceland	88.520	-	88.520	-	-
FIH Erhvervsbank A/S, Denmark	86.235	86.235	-	-	-
Kaupthing Mortgage Inst. Investor Fund, Iceland	16.216	16.216	-	-	-
Norvestia Oyj, Finland	7.525	-	7.525	8.776	-14,3%
NBS Diversified Credit Fund, UK	5.463	-	5.463	6.264	-12,8%
Kaupthing Sverige AB, Sweden	4.769	-	4.769	5.103	-6,5%
Kirna ehf., Iceland	4.123	-	4.123	3.557	15,9%
Other	3.263	-	3.263	3.576	-8,8%
Investments in subsidiaries	216.114	102.451	113.663	27.276	316,7%
Investments in subsidiaries (EUR)	1.378	653	725	152	377,8%

- Actual value increase in H1 2010 amounted to ISK 23bn, primarily due to increase in valuation of Arion Bank.
- On 18 September 2010 (event occurring after the date of the above valuation) the ICB entered into an agreement to sell the shares to an investor consortium. This claim against Kaupthing will be fully settled with this transaction and the ICB will not have a deficiency claim against Kaupthing in relation to this transaction.

All amounts in table in mISK and mEUR.



- On 18 September 2010 the Central Bank of Iceland ("CBI") as a pledgee of Kaupthing Bank's ("Kaupthing") shares in FIH Erhvervsbank A/S ("FIH") entered into an agreement to sell the shares in FIH to a consortium consisting of ATP, PFA, Folksam and CPDyvig ("the Consortium").
- FIH, which is regulated by Danish Banking legislation, supervised by the Danish Financial Supervisory Authorities and headquartered in Copenhagen, is the sixth largest bank in Denmark with assets of DKK 125 billion.
- FIH was acquired by Kaupthing in 2004 with Kaupthing owning 99.89% of the share capital in FIH. The entire share capital of FIH owned by Kaupthing was pledged to the CBI under a pledge agreement related to a EUR 500 million loan granted by the CBI to Kaupthing in the beginning of October 2008, a few days prior to the collapse of the bank.
- In co-operation with the CBI, FIH and the Danish Financial Stability Company, Kaupthing initiated a sales process of FIH in May this year. Morgan Stanley & Co. Ltd. ("Morgan Stanley") was engaged to advise Kaupthing and to conduct an extensive sales process where a broad range of strategic and financial investors has been contacted. The CBI as a pledgee agreed to sell the shares in FIH to the Consortium. The CBI's claim against Kaupthing is fully settled with this transaction and the CBI will not have a deficiency claim against Kaupthing.
- Further information on the transaction can be found in [announcement](#) from the CBI.
- As part of this transaction the repayment of Kaupthing's EUR 100 million subordinated loan granted to FIH in 2005 has been agreed.
- Completion of the transaction is among others subject to the relevant regulatory approvals.



Set-off



- *If the assets subject to set off have already been provisioned for, how does this tie in with the additional set off effects of ISK 100-150bn? Does this mean that the asset total could still be reduced by a further 100-150bn? Or does this correspond to the 115bn ISK of netting effects due to collateral on page 37 of the financial supplement? Are these set off effects part of the article 111 priority amount?*

- The valuation of assets and liabilities in this report does not take fully into account the impact of set-off.

The real and accurate amount of set-off claims finally accepted, remains uncertain until all claims have been recognized and disputes settled by the Winding-up Committee. The Winding-up Committee received set-off claims from close to 100 counterparties amounting to approximately ISK 650 billion. It should be noted that set-off claims are lodged in different ways and many of them are lodged at a maximum level. Not all claims regarding set-off may fulfill the conditions that a declaration for set-off must fulfill according to Icelandic law and in some cases creditors only reserve the rights to a possible set-off. All amounts regarding set-off must be reviewed bearing that in mind.

The Resolution Committee has independently reviewed the list of set-off claims provided by the Winding-up Committee and **currently estimates likely set-off effects on an approximate, rough and preliminary basis of ISK 100 - 150 billion in total on the face value of the respective liabilities.** As the Resolution Committee has noted before, the exact set-off effects on the assets and liabilities side may differ and the 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. The committee's estimation takes into account the fact that substantial amount of the set-off claims filed are already accounted for in note 1. It should also be stressed that this estimation is put forth by the Resolution Committee and does not reflect the decisions of the Winding-up Committee on individual claims.

Set-off impacts can make a material difference to overall creditor recoveries. Further information will be provided on this matter as it becomes available.

The estimated set-off effects are not part of the article 111 priority amount.

APPENDIX

Loans to and Claims against Credit Institutions



Unpledged positions - overview

■ Unpledged bank accounts (ISK 22bn at fair value)

- These accounts have been emptied partially or fully by the counterparty without legitimate acceptable reasons being provided to the Bank
- These are related to ca. 30 different jurisdictions and the amounts range from c. ISK 65k to ISK 8,7bn – the 5 largest covering 81% and total 40 accounts in the class.
- A substantial amount of these bank accounts have been subject to set-off in relation to derivative cases and hence the validity and legality of the freezing/seizure of cash will be concluded as part of the settlement of the derivative portfolio which is lead by Alvarez and Marsal with the assistance of external legal counsel.
- The bank accounts which are not related to derivative set-off are being handled by the Bank's internal legal counsel and the Winding-up Committee, in co-operation with external legal counsel in the respective jurisdictions, who analyze the validity of the freezing/seizure with respect to Icelandic bankruptcy legislation in coalition with other relevant jurisdictional legislation.

■ Subordinated loans to subsidiaries (ISK 16bn at fair value)

- Included in this category is a EUR 100m subordinated loan granted to FIH in 2005. On 18 September 2010 (an event occurring after the date of this financial information) the Central Bank of Iceland as a pledgee of the Bank's shares in FIH entered into an agreement to sell the shares to a consortium of funds. As part of this transaction the repayment of this subordinated loan has been agreed but is subject to regulatory approval.

■ Other Loans: (ISK 1,4bn at fair value)

- Mostly domestic claims



Pledged positions - overview

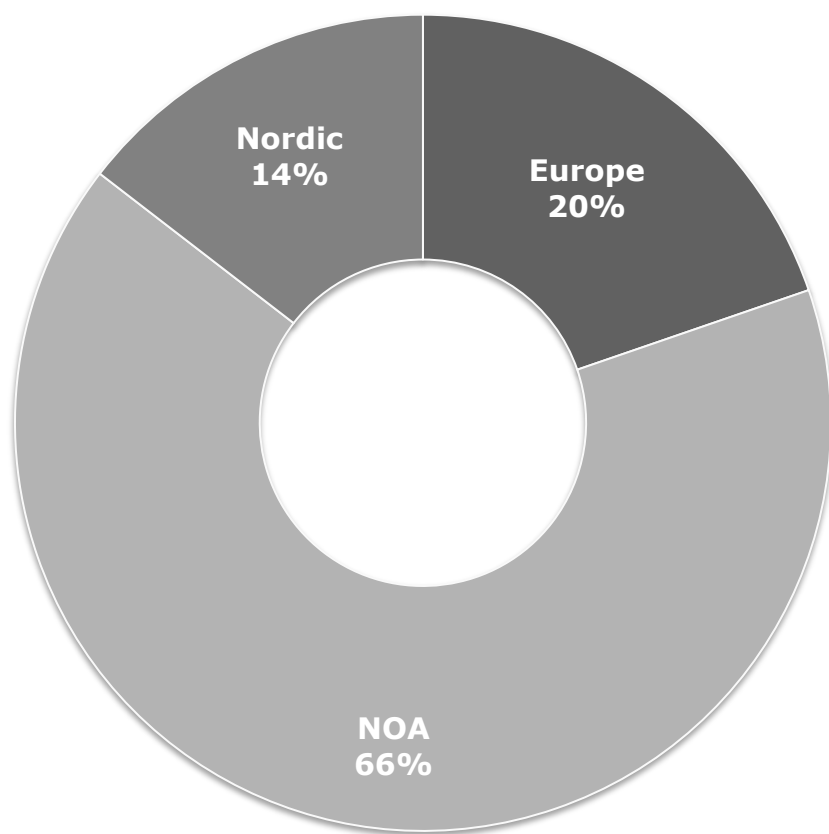
- Pledged bank accounts (ISK 142 bn at fair value)
 - Collateral accounts (ISK 135bn at fair value) represent to a large extent collateral posted under derivative trades (ISK 86bn) and repurchase agreements (ISK 49bn).
- Subordinated loans to subsidiaries (ISK 125bn at fair value)
 - The subordinated loan which is classified as pledged is to the Bank's subsidiary Kaupthing Mortgage Institutional Investor Fund and is related to the issuance and structure of Kaupthing's covered bonds.



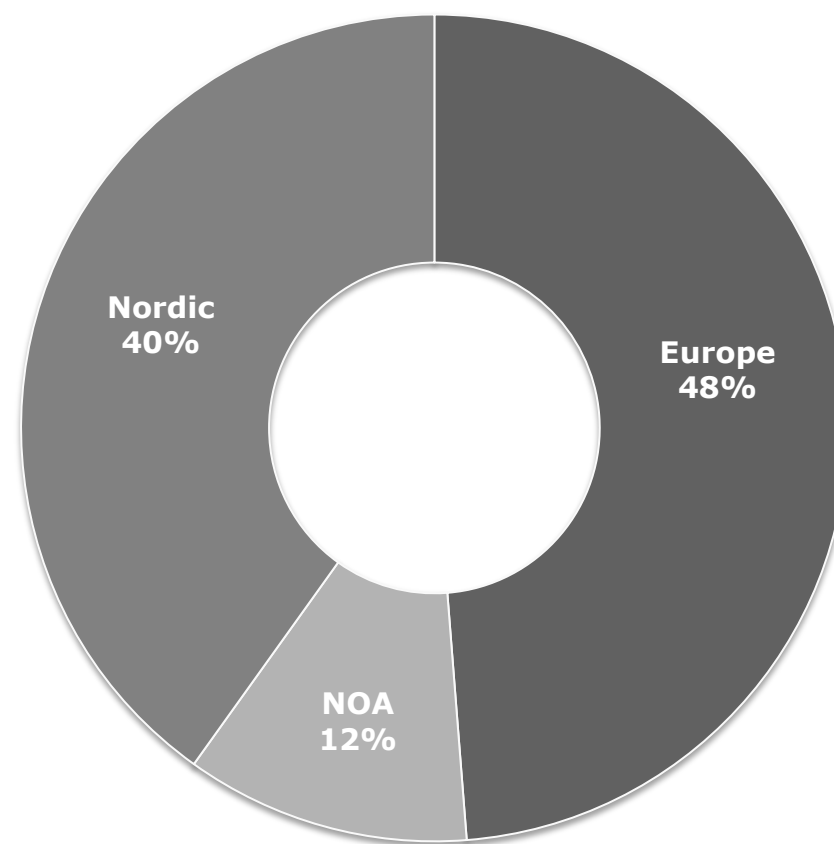
Loans to Customers



Carrying value

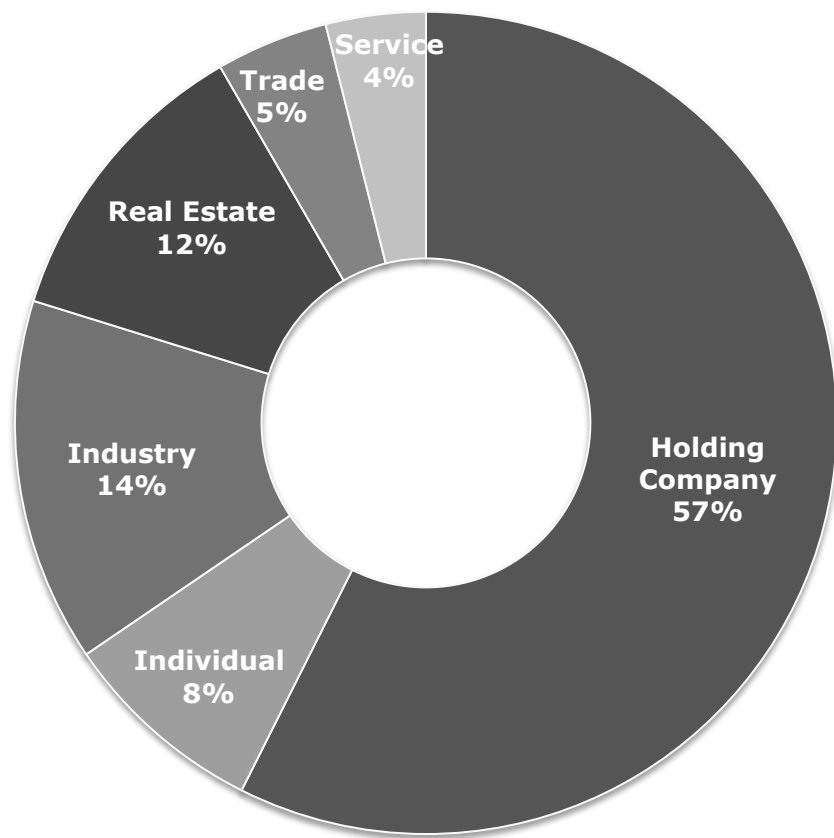


Fair value





Carrying value



Fair value



Loans to Customers – Breakdown by Sector



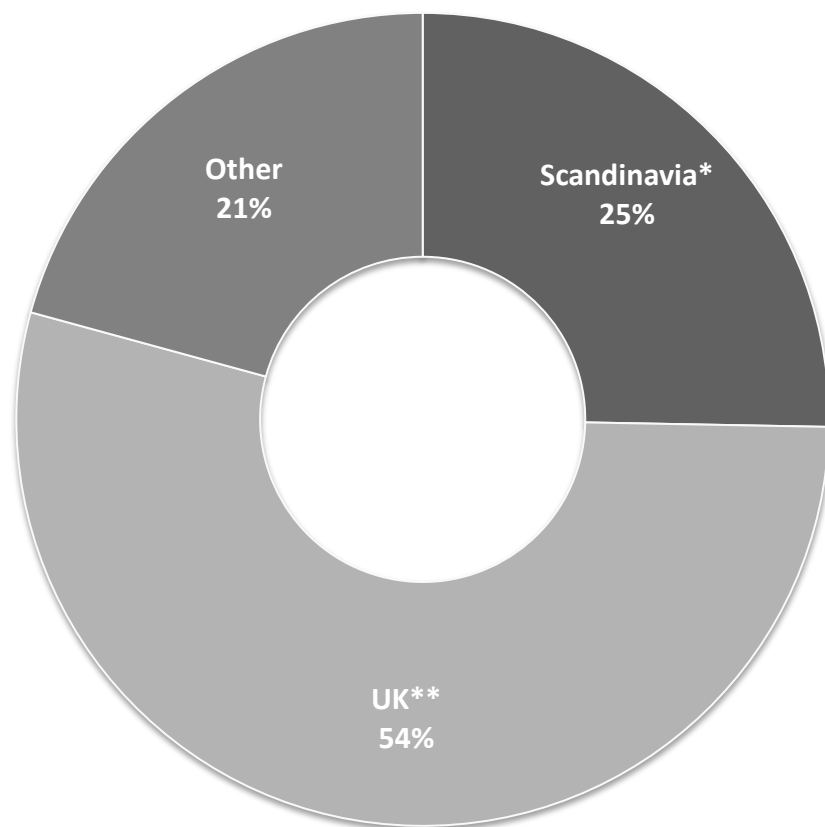
Operating Assets (Europe & Nordic) - breakdown by sector	Carrying value	Fair value	Weighted average	Carrying value	Fair value	Weighted average
	30.06.2010			31.12.2009		
Holding Company	52.001	20.587	39,6%	61.710	27.615	44,7%
Individual	28.948	18.346	63,4%	36.444	19.871	54,5%
Industry	114.470	79.447	69,4%	144.741	97.138	67,1%
Real Estate	124.575	64.073	51,4%	141.374	74.616	52,8%
Trade	54.461	48.055	88,2%	114.706	64.129	55,9%
Service	48.456	36.723	75,8%	58.205	44.957	77,2%
Loans to customers	422.910	267.231	63,2%	557.180	328.326	58,9%
Loans to customers (EUR)	2.697	1.704	63,2%	3.099	1.826	58,9%

NOA portfolio - breakdown by sector	Carrying value	Fair value	Weighted average	Carrying value	Fair value	Weighted average
	30.06.2010			31.12.2009		
Holding Company	656.193	30.026	4,6%	553.926	31.099	5,6%
Individual	70.728	5.528	7,8%	68.990	4.184	6,1%
Industry	62.139	1.227	2,0%	61.953	2.842	4,6%
Real Estate	21.746	-	0,0%	23.114	441	1,9%
Trade	-	-	-	-	-	-
Service	-	-	-	-	-	-
Loans to customers	810.806	36.782	4,5%	707.983	38.567	5,4%
Loans to customers (EUR)	5.171	235	4,5%	3.938	215	5,4%

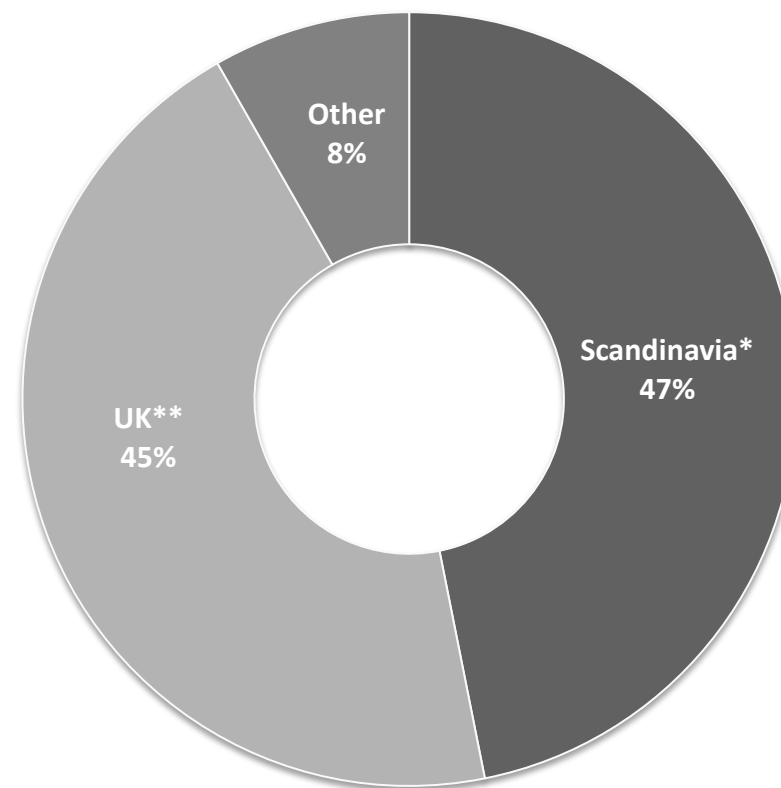
For comparison reasons, the tables as at 31.12.2009 exclude the pledged portfolio which was injected into Arion Bank in January 2010.
All amounts in table in mISK and mEUR.



Carrying value



Fair value



*Scandinavia includes Iceland

** UK includes UK overseas territories and Crown dependencies

Loans to Customers – Breakdown by Geography



Operating assets (Europe & Nordic) - breakdown by geography	Carrying value	Fair value	Weighted average	Carrying value	Fair value	Weighted average
	30.06.2010			31.12.2009		
Scandinavia*	225.662	142.472	63,1%	277.897	173.441	62,4%
UK**	142.037	99.659	70,2%	208.792	115.232	55,2%
Other	55.210	25.100	45,5%	70.491	39.653	56,3%
Loans to customers	422.910	267.231	63,2%	557.180	328.326	58,9%
Loans to customers (EUR)	2.697	1.704	63,2%	3.099	1.826	58,9%

NOA portfolio - breakdown by geography	Carrying value	Fair value	Weighted average	Carrying value	Fair value	Weighted average
	30.06.2010			31.12.2009		
Scandinavia*	86.414	-	0,0%	2.387	-	0,0%
UK**	523.518	36.775	7,0%	500.782	38.076	7,6%
Other	200.874	7	0,0%	204.814	491	0,2%
Loans to customers	810.806	36.782	4,5%	707.983	38.567	5,4%
Loans to customers (EUR)	5.171	235	4,5%	3.938	215	5,4%

*Scandinavia includes Iceland

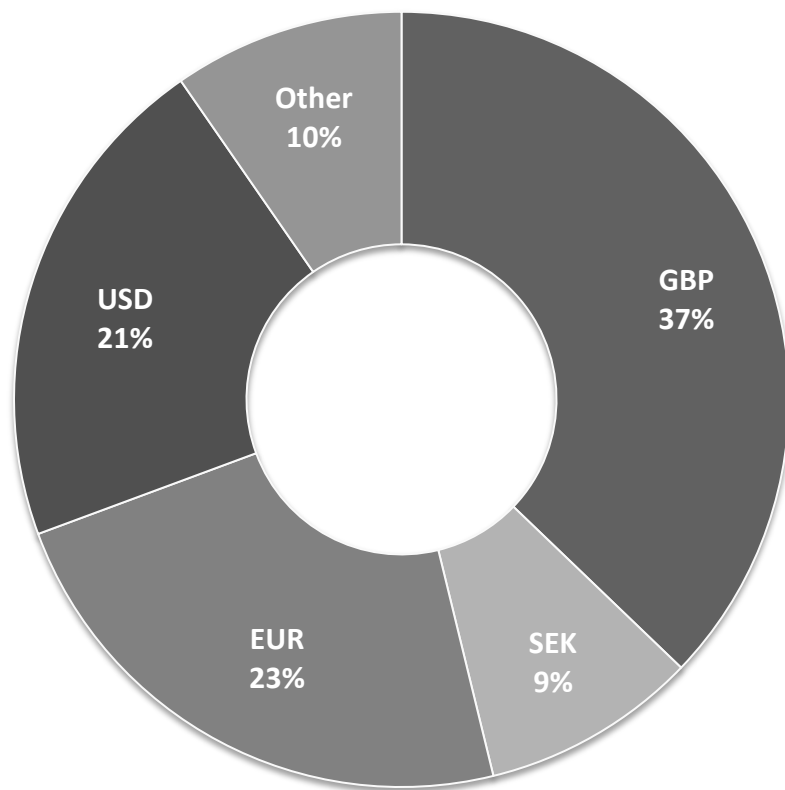
** UK includes UK overseas territories and Crown dependencies

For comparison reasons, the tables as at 31.12.2009 exclude the pledged portfolio which was injected into Arion Bank in January 2010.

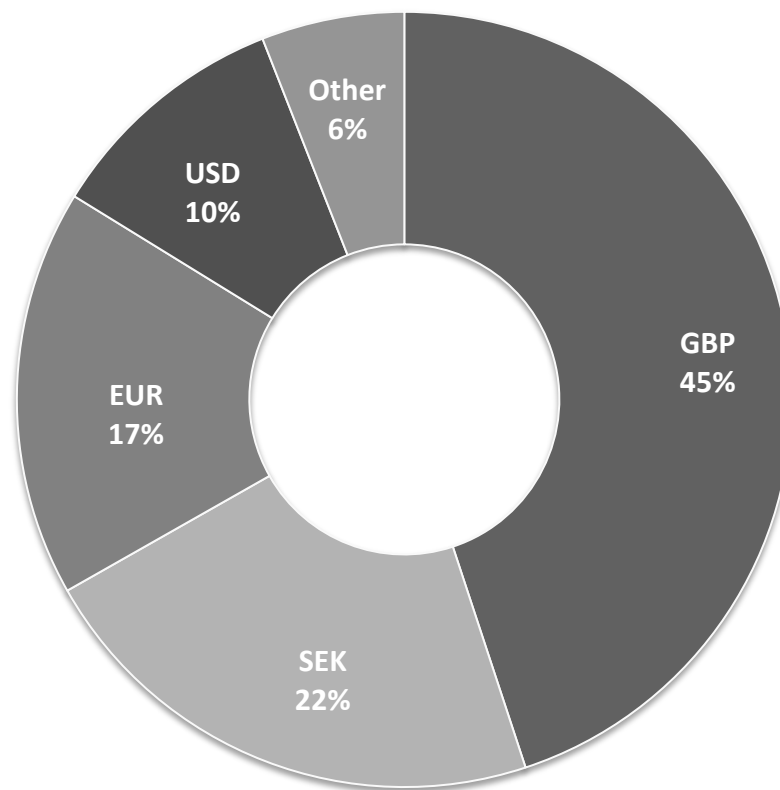
All amounts in table in mISK and mEUR.



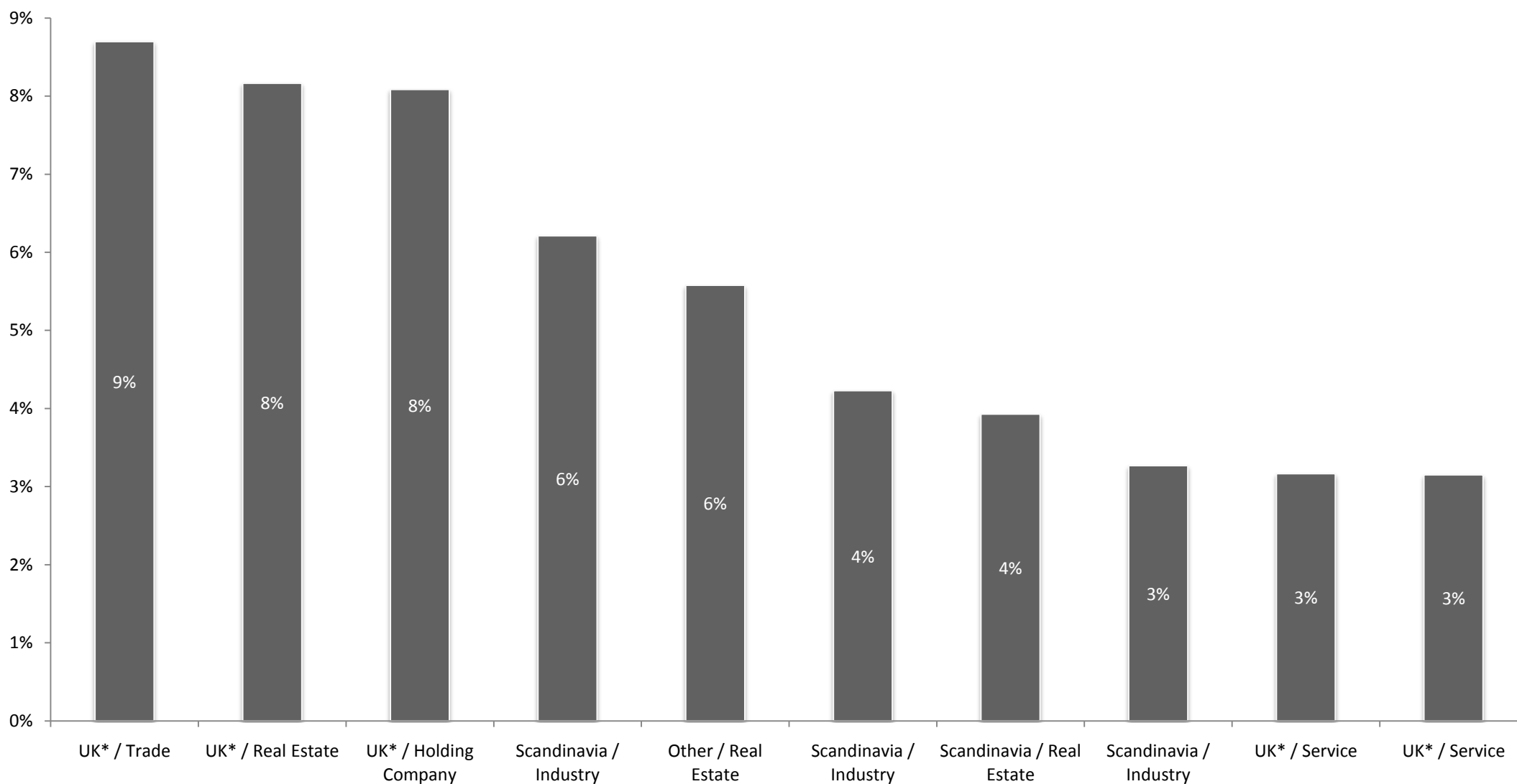
Carrying value



Fair value



Ten Largest Loans to Customers



■ The ten largest Loans to Customers by Sector and Country at Fair Value as a % of total Loans to Customers at fair value as at the end of H1 2010

*UK includes UK overseas territories and Crown dependencies



- The Non Operating Assets portfolio (NOA) is part of the Loans to customers portfolio.
 - As at end of H1 2010 NOA amounted to ISK 811bn at carrying value and ISK 37bn at fair value.
- NOA is under the supervision of a sub-committee of the ResCom, the Inspection Committee (IC) and comprises loans, securities and transactions under examination.
- NOA currently comprises 28 entity groups which are under examination. The number of entities in each group under examination ranges from 1 to more than 250.
- The majority of the loans in the portfolio are in default. With some degree of simplification it can be said that the NOA portfolio contains:
 - Loans made to related parties, such as shareholders, subsidiaries and senior management;
 - Loans where large exposures yield low or no direct recovery;
 - Loans made into complex structures or non-operational SPVs; and
 - Other irregular loans or transactions.
- Many of the loans and transactions in the NOA portfolio have in common that legal proceedings may increase recovery for the Bank. The main objective of the IC is to maximize the recovery of assets in the NOA portfolio, including by bringing damages claims where appropriate.
- The IC has been successful in securing assets and prevent leakage of assets from various structures through enforcing pledges and bringing legal actions.
- The IC will continue ongoing legal proceedings as well as commencing new litigations for recovery and damages claims as and when sufficient information and evidence can be collected and the potential recovery under such claims can be properly analysed.
- External advisers to the IC consist of several law firms and accounting firms, including expert forensic auditors from Grant Thornton UK and counsel from Weil Gotshal & Manges UK and Olswang which both provide expert legal advice and litigation services to the IC, and Conyers Dill & Pearman, a leading law firm with expertise in offshore jurisdictions.



- The ResCom of Kaupthing Bank, the trustees* of the Tchenguiz Discretionary Trust ("TDT") and other parties have reached a settlement of the proceedings issued by Isis Investments Limited against Kaupthing, the trustees of TDT and other parties in the High Court of England and Wales ("the English Proceedings"). The parties have also reached a settlement of the related proceedings brought by Kaupthing and others against the trustees of TDT and others in the High Court of the British Virgin Islands ("the BVI Proceedings").
- The terms of the settlement are confidential between the parties, save the following:
 - the monies subject to the dispute, being monies arising out of the sale of the Somerfield supermarket chain to the Co-operative Ventures Limited, are released and the due amount will be paid ultimately to the Liquidator of Oscatello Investments Limited;
 - this is a full and final settlement of all claims raised in the English Proceedings and the BVI Proceedings between Kaupthing and the trustees of TDT;
 - the trustees of TDT have undertaken to withdraw their claim filed in the winding-up of Kaupthing in respect of the monies arising out of the sale of the Somerfield supermarket chain to the Co-operative Ventures Limited.
- Weil, Gotshal & Manges has been representing Kaupthing Bank in the English Proceedings and has advised the Resolution Committee on the settlement.

*Investec Trust (Guernsey) Limited and Bayeux Trustees Limited

Bonds and Debt Instruments

- Bonds and debt instruments amounted to ISK 56bn at the end of H1 2010. This asset class is broken down in the tables below at fair value by types of instruments
- Unpledged Bonds and debt instruments amounted to ISK 7,2bn and decreased by ISK 2,3bn in H1 2010
 - The decrease is driven by cash inflow from principal payments in H1 2010 of ISK 3bn
 - In addition, interest payments amounted to ISK 0,5bn and real value increase amounted to ISK 1bn
 - The vast majority of the unpledged positions are ISK-denominated and CPI linked bonds
- Pledged positions amounted to ISK 48,9bn and decreased by ISK 4,5bn in H1 2010, solely due to FX changes

Bonds and debt instruments	Total 30.06.2010	Pledged 30.06.2010	Unpledged 30.06.2010	Unpledged 31.12.2009	% change
Listed	49.712	43.276	6.436	8.958	-28%
Unlisted	6.396	5.654	742	581	28%
Bonds and debt instruments	56.108	48.930	7.178	9.539	-25%
Bonds and debt instruments (EUR)	358	312	46	53	-14%

Bonds and debt instruments	Total 30.06.2010	Pledged 30.06.2010	Unpledged 30.06.2010	Unpledged 31.12.2009	% change
Financial institutions	30.281	30.281	-	-	-
Housing Financing Fund	13.162	8.317	4.845	4.656	4%
Government	10.059	8.289	1.770	4.302	-59%
Corporates	2.606	2.043	563	581	-3%
Bonds and debt instruments	56.108	48.930	7.178	9.539	-25%
Bonds and debt instruments (EUR)	358	312	46	53	-14%

The pledged positions are represented at the assumed market value of the underlying collateral as at the bank's interpretation of the valuation date of the underlying agreements.

Amounts in tables in mISK and mEUR.



Other Assets



Development in H1 2010

- Other Assets amounts to ISK 2,5bn at fair value and ISK 42bn at carrying value at the end of H1 2010.
 - Other assets at fair value decreases by ISK 5bn in H1 2010
 - The decrease is mainly due to cash inflow in H1 2010 of ISK 4,5bn and negative FX changes of approx ISK 0,5bn.

Other Assets	Unpledged		
	30.06.2010	31.12.2009	% change
Accounts receivables	37.717	40.549	-7,0%
Sundry assets	4.264	4.003	6,5%
Other assets at carrying value	41.981	44.552	-5,8%
Provisions	(39.459)	(37.012)	
Other assets at fair value	2.522	7.540	-66,6%
Other assets (EUR)	16	42	-61,6%

All amounts in table in mISK and mEUR.

Currency Tables and Performance Definitions



- *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.

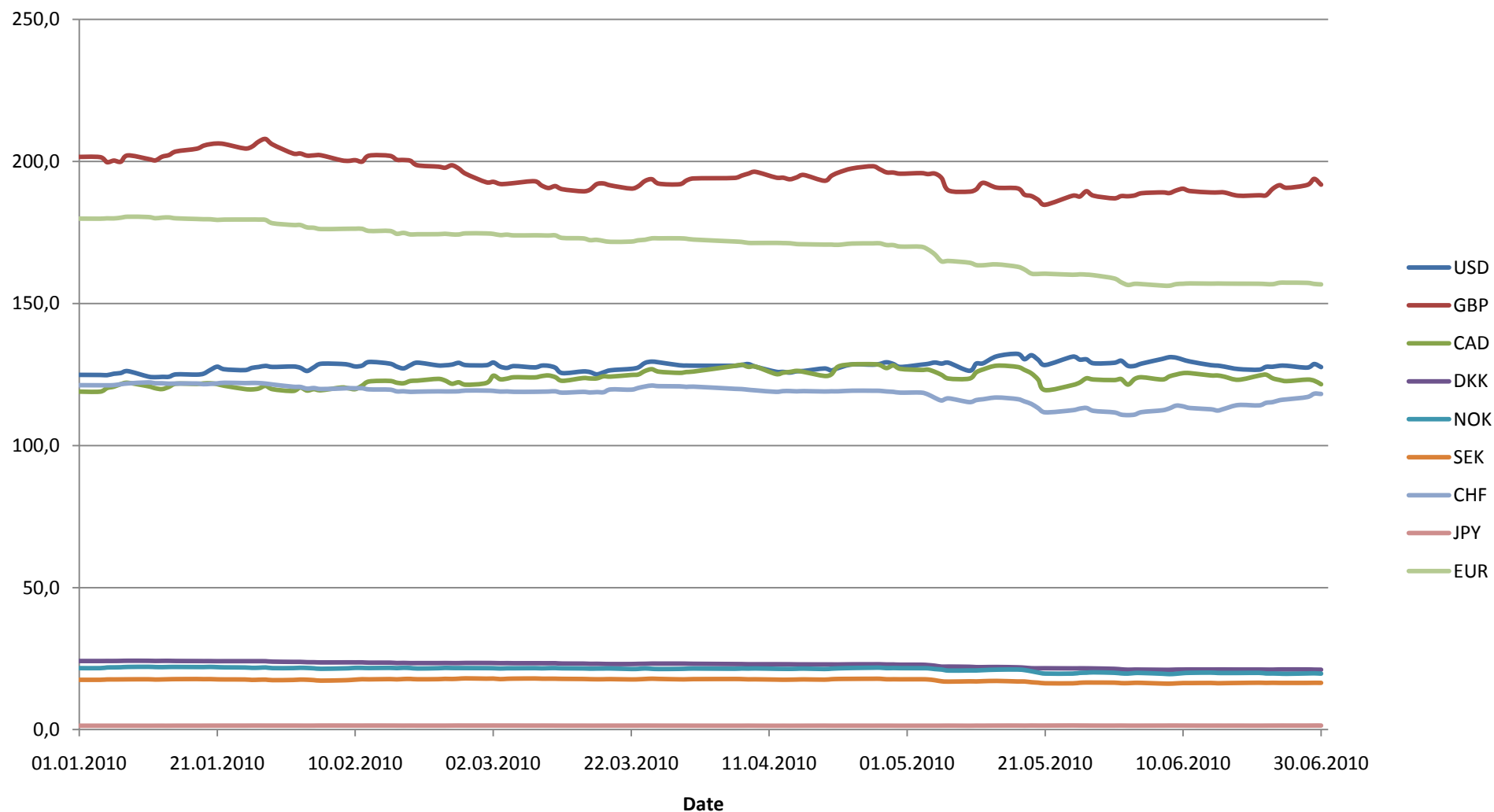


- The table below displays the foreign exchange rates used for the balance sheet as at 30 June 2010.
- In addition the foreign exchange rates for past comparison periods are shown below.

Date	USD	GBP	CAD	DKK	NOK	SEK	CHF	JPY	EUR
30.06.2010	127,66	191,87	120,37	21,05	19,69	16,46	118,49	1,44	156,79
31.12.2009	125,43	202,65	119,74	24,16	21,63	17,54	121,18	1,35	179,78
30.06.2009	127,56	210,04	109,91	24,04	19,84	16,52	117,78	1,32	179,04



ISK against major currencies





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