

---

## **Kaupthing Bank hf.**

- meeting with creditors regarding extension of moratorium -
- 

Reykjavik, 9 August 2010



- This presentation (including all subsequent amendments and additions) was prepared for the creditors of Kaupthing Bank hf. ("the Bank") for information purposes only and is not intended for third party publication, distribution or release, in any manner.
- Without prejudice to liability for fraud, the Bank accepts no responsibility for the accuracy or completeness of any information contained in this presentation and, without limitation to the foregoing, disclaims any liability which may be based on the accuracy or completeness of this presentation, modification of the presentation or any use or inability to use this presentation.
- Nothing in this presentation should be relied upon by any person for any purposes including, without limitation, in connection with trading decisions relating to the Bank.
- This presentation does not include an estimate of the likely level of recoveries for creditors. Material uncertainties continue to exist regarding the timing and realisable value of assets and the eventual level of creditors' claims. The Bank wish to caution creditors against using the data in this presentation to estimate likely recovery as any such estimates are likely to be materially misleading. The actual realisable value of the Bank's assets and liabilities may differ materially from the values set forth herein.
- The use of the Bank's material, works or trademarks is forbidden without written consent except where otherwise expressly stated. Furthermore, it is prohibited to publish material made or gathered by the Bank without written consent.
- Any and all limitation and disclaimer of liability set out above in regard to the Bank shall apply as a limitation and disclaimer of liability in regard to the Bank's management and employees.
- The disclaimers set out in the Creditors' Report published on the Bank's website apply to this presentation as well. The creditors' report published on the Bank's website forms part of this presentation.

# Contents



- 1** Welcome Address and Introduction
- 2** Moratorium Extension
- 3** Financial Information and Next Steps

# Welcome Address and Introduction



## **Purpose of this Creditors' Meeting**

- The Moratorium Supervisor called for this meeting in accordance with article 13-15 of the Icelandic Act on Bankruptcy, etc., No. 21/1991 in advance of the hearing held on 13 August 2010 at the District Court of Reykjavik.
- The main purpose of this meeting is:
  - to discuss the possible extension of the Bank's moratorium on debt payments
  - to provide creditors with an update on key events and activities since November 2009 when the moratorium was last extended
- According to Icelandic law, no binding decisions can be made at this meeting.

## **Appointment of a Chairman**

- Mr. Vidar Ludviksson, Attorney to the Supreme Court, is appointed as independent Chairman for this meeting.



■ The agenda of this meeting is as follows:

- Olafur Gardarsson, the Moratorium Supervisor:
  - The Moratorium Extension
- Steinar Thor Gudgeirsson, the Chairman of the Resolution Committee (“the ResCom”)
  - Key events and milestones during the current moratorium period
- Eva Soley Gudbjornsdottir, Managing Director of Finance:
  - Latest asset valuation of the Bank
- Olafur Gardarsson, the Moratorium Supervisor:
  - List of claims, the progress made by the Winding-up Committee to date and next steps
- At the end, creditors will have an opportunity to provide their opinions on the proposed moratorium extension

*Please note that this presentation builds on already published information for creditors which includes more extensive financial information as well as more detailed information of the progress made to date.*

*Please note that the Creditors’ Report – July Update forms a part of the meeting’s material and is available at this meeting. More in-depth information about the Bank and its legal status can be found in the report. The report is also accessible on the Bank’s website, [www.kaupthing.com](http://www.kaupthing.com).*

# Moratorium Extension



- On 24 November 2008 the Bank was first granted an authorisation for moratorium on debt payments until 13 February 2009.
- Applying for the moratorium in 2008 was, in the opinion of the Bank, a necessary step to gain protection from litigation, collection measures and other depletion of assets and to ensure that all creditors of the Bank were treated fairly and appropriately in accordance with Icelandic law through the protection of the Bank's assets.
- Moratorium extension has been granted twice and the current authorisation expires on 13 August 2010.
- If a decision is made to apply for an extension, an application will be submitted at a hearing held on 13 August 2010 at the District Court of Reykjavik.
- The maximum moratorium period is according to the Icelandic Act on Bankruptcy, etc., No. 21/1991, total of 24 months. Therefore, the moratorium can at the maximum be granted until 24 November 2010.

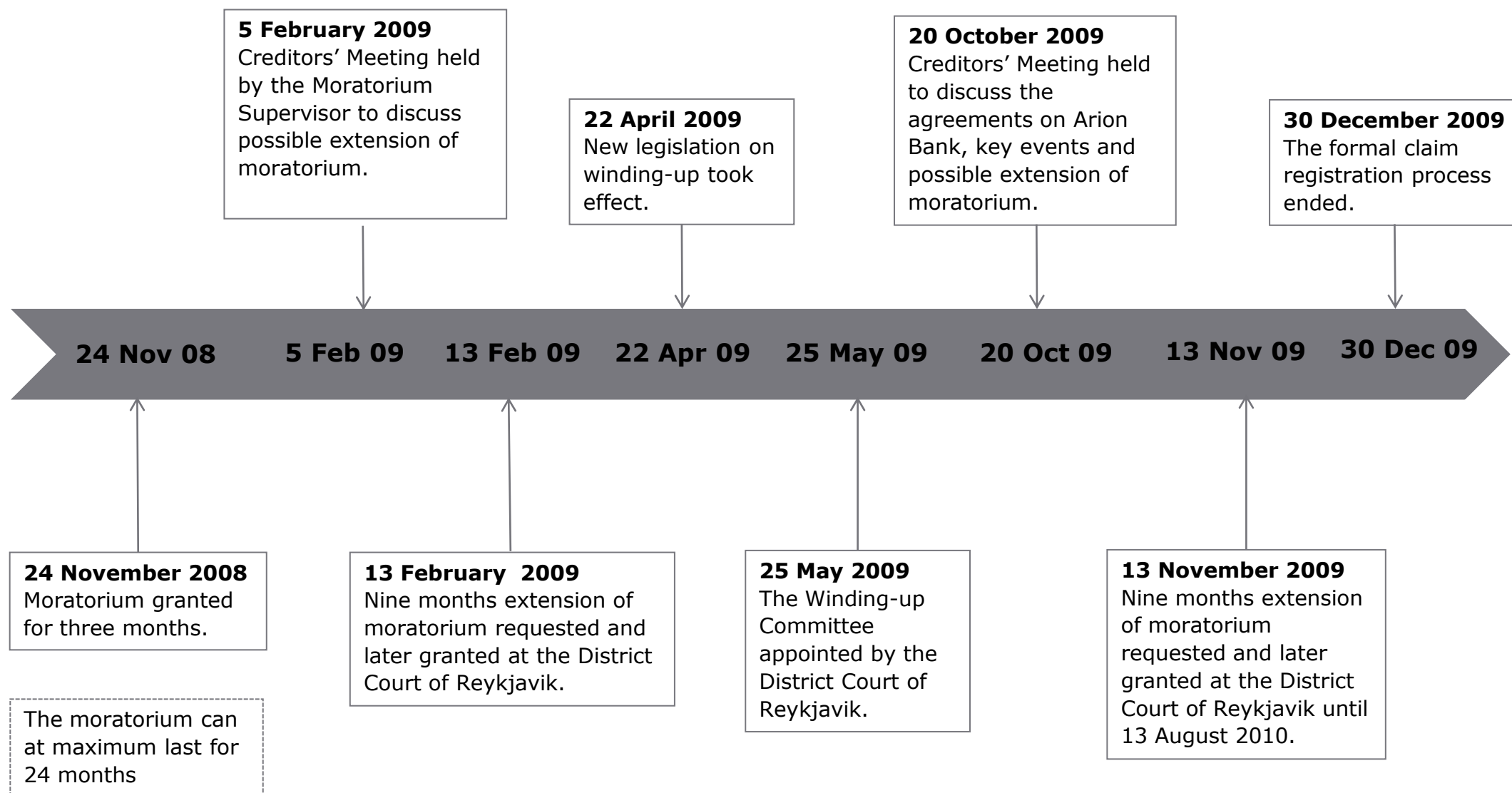


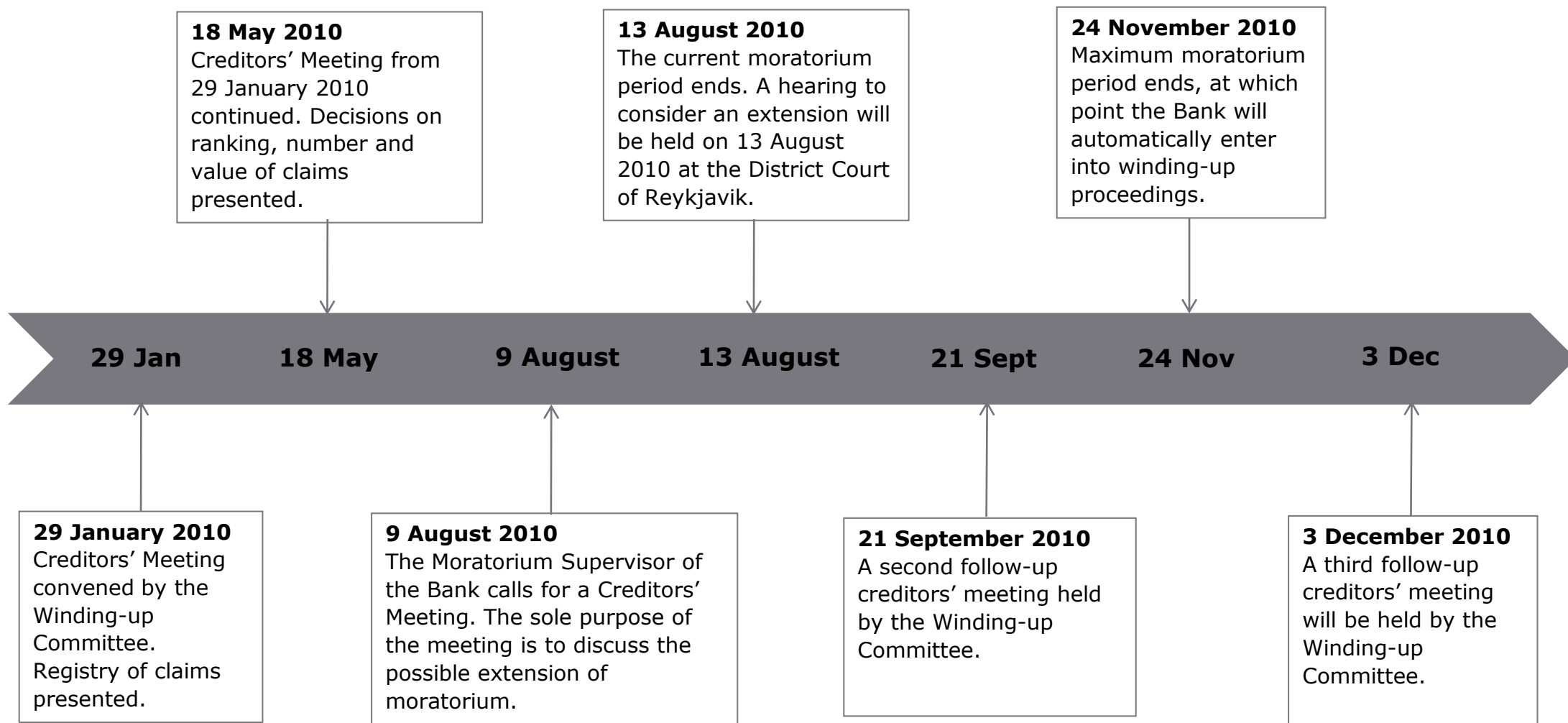


- The moratorium provides Kaupthing with appropriate protection from legal actions, such as freezing of assets, and ensures that the Bank is able to maintain its banking license sufficient to support its assets.
- The Bank will, upon the conclusion of the moratorium, automatically enter into winding-up proceedings. Many of the rules governing the moratorium would continue to apply in a winding-up proceedings. The ResCom continues to operate under a winding-up proceedings with the same aim as before to maximise the value of assets. That may include waiting for the maturity of assets rather than disposing of them immediately.
- As the current moratorium is based on the main rules, principles and characteristics of winding-up proceedings, it is the view of the Moratorium Supervisor that under Icelandic legislation the Bank enjoys in essence the same protection in winding-up process as it does in moratorium.
- However, for added certainty at this point in time, Kaupthing believes that it is prudent to utilize all legal means possible to preserve the interest of creditors. Therefore, as a precaution, the Bank proposes to request for an extension of moratorium throughout the maximum period.
- At a later stage, the winding-up proceedings can conclude in composition with creditors or in an insolvent liquidation.
- The Moratorium Supervisor and the ResCom believe that the interests of the creditors are best served by restructuring the Bank's operations and that insolvent liquidation could decrease value for creditors.

*Please note that further details of the Icelandic moratorium and winding-up legislation can be found in Chapter 4 in the Creditors' Report.*

# Winding-Up Proceedings / Moratorium - Timeline of Events 2008-2009





# **Financial Information and Next Steps**



Milestones	Results
<b>Ensuring expertise and knowledge by recruiting key employees</b>	<ul style="list-style-type: none"> <li>■ There must be sufficient expertise in place to manage the assets and provide the necessary services.</li> <li>■ Strong and experienced team in all divisions.</li> </ul>
<b>Extensive restructuring of the loan portfolio</b>	<ul style="list-style-type: none"> <li>■ Restructuring of the non-performing loans in active management largely completed.</li> <li>■ Equity value already created from several restructuring cases.</li> </ul>
<b>Negotiations on Arion Bank</b>	<ul style="list-style-type: none"> <li>■ 87% ownership and further upside captured through contingent value right.</li> </ul>
<b>Taking actions to secure assets in the NOA portfolio</b>	<ul style="list-style-type: none"> <li>■ Secured assets, taken control and prevent leakage of assets from various structures through enforcing pledges and bringing legal actions.</li> </ul>
<b>Well defined derivatives settlement process implemented</b>	<ul style="list-style-type: none"> <li>■ All of the high priority CPs have been reviewed and commenced action.</li> <li>■ 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.</li> </ul>
<b>Value maximization of the Bank's assets under way</b>	<ul style="list-style-type: none"> <li>■ Value of unpledged assets net of known priority claims increased by ISK 214bn in 2009.</li> </ul>
<b>Claiming process on the right track</b>	<ul style="list-style-type: none"> <li>■ Approx. 28.000 claims lodged against the Bank which were registered and a list of claims published within a month from the end of claim period.</li> <li>■ Decisions have been taken on 22.576 claims, thereof 426 claims accepted, 13.605 claims accepted with amendments, 4.165 claims rejected and no decisions will be taken on 4.380 claims lodged or moved under article 114.</li> </ul>



- **1 December 2009:** the ResCom announced that Kaupthing would acquire 87% share in Arion Bank.
- **3 December 2009:** Kaupthing sells its 5.5% stake in Storebrand ASA at NOK 39 per share (share price as at 6 August 2010 was NOK 38.55) and secures a threefold return on its stake since October 2008.
- **11 January 2010:** FME granted the Bank's subsidiary Kaupskil ehf. permission to own a qualifying holding in Arion Bank on behalf of Kaupthing.
- **2 March 2010:** the Bank commences an open sales process for the Middlesex Hospital Site in London and appoints CB Richard Ellis on the sale.
- **9 March 2010:** Statement of Assets, including updated valuation for all assets as at YE 2009 published.
- **15 March 2010:** Creditors' Report Update Meeting for all creditors held by the ResCom in London.
- **25 March 2010:** Refresco, a company partly owned by Kaupthing raises new equity.
- **18 May 2010:** first meeting of the restructured ICC held by the ResCom in Reykjavik, where i.e. Morgan Stanley presented a summary of its asset valuation and restructuring review report.
- **7 June 2010:** Creditors' Report Update Meeting open for all creditors held by the ResCom in London.
- **23 June 2010:** announcement made on the settlement reached with the trustees of the Tchenguiz Discretionary Trust and other parties regarding Somerfield.

*During the moratorium period the Creditors' Report is compiled and published on the Bank's website on a monthly basis and update meetings held on a regular basis to keep all creditors informed of the latest progress of the Bank's operations. The next update meeting is scheduled this autumn where the Bank will present its Statement of Assets, including updated valuation for all assets as at 30 June 2010. Detailed information on all the major events during the moratorium period can be found in the Creditors' Report.*



- In 1H 2010, Morgan Stanley, the Bank's main financial advisor, completed a detailed report on the Bank's operations and performance.
- ICC members and other private creditors with significant and valid interest can have access to an extensive summary of the Morgan Stanley report, subject to the signing of hold harmless letter with Morgan Stanley and non disclosure agreement with Kaupthing.
- Members of the ICC and all other groups of creditors with significant interest have the opportunity to appoint an independent advisor. Financial advisors have access to the Morgan Stanley report and group Q&A meetings with Morgan Stanley.
- The report and its extensive summary provide a detailed overview of the Bank's asset base and an independent assessment of 2009 valuation level including indication of potential upside. Furthermore, the report provides an assessment and overview on restructurings performed by the Bank since October 2008. The contractual cash flow profile from the asset base is summarized along with the costs associated with running the administration. Finally the report illuminates the Bank's current strategy for value maximization and monetization.
- Following the publication, the ResCom has reviewed and analyzed 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 and that no immediate different actions is necessary.



- The latest statement of assets, was published on the Bank's website on 9 March 2010 and can be found in Chapter 2 of the Creditors' Report.
- Statement of assets as at 30 June 2010 is currently being prepared and is expected to be released in the September Update of the Creditors' Report and presented in a Creditors' Report update meeting which is scheduled in London this autumn.
- The financial information on the following slides, as at 31 December 2009, is a summary of financial information previously published in the Bank's Creditors' Report. The notes not included in this presentation form an integral part and should be reviewed in conjunction with the financial information and associated notes in the Creditors' Report.

*Readers' attention is also drawn to the terms of the disclaimer at the beginning and the end of this presentation.*



# Overview of the Bank's Asset Base as at 31 December 2009



Assets	31.12.2009		
	Balance sheet	Pledged positions	Valuation (net)
Cash in hand .....	176.066	-	176.066
Loans to and claims against credit institutions .....	323.267	(269.786)	53.481
Loans to customers .....	450.948	(84.054)	366.894
Bonds and debt instruments .....	63.025	(53.486)	9.539
Shares and instruments with variable income .....	178.379	(149.530)	28.849
Derivatives and unpaid derivatives .....	239.017	(120.204)	118.813
Investments in subsidiaries .....	141.626	(114.350)	27.276
Other assets .....	7.540	-	7.540
<b>Total assets .....</b>	<b>1.579.868</b>	<b>(791.410)</b>	<b>788.458</b>

All amounts in ISKm.

# Development of the Bank's Asset Base



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

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

All amounts in ISKm.



## Results

### Total Assets

- The total assets net of pledged assets and known priority claims amounted to ISK 743bn as at YE 2009 and increased by ISK 214bn or 41% in 2009.

### Cash in hand

- Cash in hand amounted to ISK 176bn at YE 2009 and increased by ISK 98bn in 2009 or 126% even though the Bank paid retail depositors (priority claims) ISK 58bn in 2009.
- The increase is primarily driven by net proceeds from loans to customers of ISK 88bn, the sale of the Bank's subsidiary in Sweden of ISK 28bn and realization of 5,5% stake in Storebrand for ISK 20bn.

### Loans to customers

- Loans to customers amounted to ISK 367bn at YE 2009 and increased by 107bn or 41% in 2009 despite principal repayments.
- Performance increased substantially in both the Europe and the Nordic portfolios.
- In 2009, 26 loans were realized with cash flow amounting to ISK 40bn, the total weighted recovery value of realized loans in 2009 is 97%.

### Securities

- Securities (bonds and debt instruments and shares and instruments with variable income) amounted to ISK 38bn at YE 2009 and increased by ISK 12.5bn or 48% in 2009.
- The increase is primarily driven by mtm changes and equity value created from several restructuring cases.



- As at 31 December 2009, total amount of lodged claims amounted to ISK 7.316bn. Current claim registry amounts to ISK 6.895bn. The decrease is mainly due to amendments of claims by creditors and withdrawal of claims.
- Please note that there are still duplicate or triplicate claims registered. Furthermore, most of the claims are currently subject to dispute and therefore, the final amounts of accepted claims is highly uncertain.

Articles	Amount
Art. 109-112 (priority)	1.711bn
Art. 113	4.630bn
Art. 114	555bn
<b>Total amount</b>	<b>6.895bn</b>

*The Winding-up Committee administers the formal process of the winding-up proceedings. The Committee has received lodged claims, made a list of lodged claims and makes decisions on the recognition of claims. Important information on the progress of the winding-up proceedings and the claim registry is accessible on a secured website for creditors.*

*Please note that further information about the claiming process, summary of lodged claims and status of claims lodged under each article can also be found in Chapter 3 in the Creditors' Report.*



- A total of 28.167 claims for the total amount of ISK 7.316bn were received before the deadline of lodging claims on 30 December 2009, thereof 2.019bn as priority claims lodged with reference to Art 109-112 of the Act on Bankruptcy etc., No. 21/1991.
- Next creditors' meeting to discuss the Winding-up Committee's decisions on claims will be held in Reykjavik 21 September 2010.
- Based on last public figures as at May 2010, priority claims amounted to a total of ISK 1.711bn and among them are several large claims which are subject to dispute.
- The Winding-up Committee has made an effort to conclude all decisions on lodged priority claims and, as of now, decisions have been made on 71% of all lodged priority claims by amount.
- The Winding-up Committee will continue its effort on resolving disputed priority claims at settlement meetings with creditors or before relevant courts if necessary.
- Stated objective to conclude decisions on ranking, number and value of claims before a creditors' meeting to be held on 3 December 2010.
  - Claims under dispute to be resolved at a later point in time depending on various factors.



- The Bank 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 Bank is working towards a solution whereby the restructuring of the Bank will in the end be completed by a composition with creditors with the objectives to further streamlining the operations and increasing creditors' involvement.
- As discussed in chapter 3 of the Creditors' Report the total amount of claims lodged as priority claims (Art 109-112) is well above the total fair value of the Bank's unpledged assets (approx. ISK 788bn as at 31 December 2009).
- This creates an uncertainty when distribution or partial payments can be made to creditors or an attempt made to reach composition agreements. An accurate timing can therefore not be given. The reasons for this are the same as have been mentioned on previous creditors meetings.

*Please note that overview of the Icelandic composition legislation can be found in Chapter 4 in the Creditors' Report.*



- Hearing at the District Court of Reykjavik on 13 August 2010 regarding extension of moratorium.
- As mentioned, if the moratorium is not extended, the Bank will automatically enter into formal winding-up proceedings which is in essence the same process as the Bank is currently in.
- However, for added certainty at this point in time, it is the opinion of the Moratorium Supervisor that it is prudent to utilize all legal means possible to preserve the interest of creditors. Therefore, as a precaution, the Bank proposes to request for an extension of moratorium throughout the maximum period.
- Attendees will now have an opportunity to provide their opinions on the proposed extension of moratorium until 24 November 2010.



- This presentation (including all subsequent amendments and additions) was prepared for the creditors of Kaupthing Bank hf. ("the Bank") for information purposes only and is not intended for third party publication, distribution or release, in any manner.
- Without prejudice to liability for fraud, the Bank accepts no responsibility for the accuracy or completeness of any information contained in this presentation and, without limitation to the foregoing, disclaims any liability which may be based on the accuracy or completeness of this presentation, modification of the presentation or any use or inability to use this presentation.
- Nothing in this presentation should be relied upon by any person for any purposes including, without limitation, in connection with trading decisions relating to the Bank.
- This presentation does not include an estimate of the likely level of recoveries for creditors. Material uncertainties continue to exist regarding the timing and realisable value of assets and the eventual level of creditors' claims. The Bank wish to caution creditors against using the data in this presentation to estimate likely recovery as any such estimates are likely to be materially misleading. The actual realisable value of the Bank's assets and liabilities may differ materially from the values set forth herein.
- The use of the Bank's material, works or trademarks is forbidden without written consent except where otherwise expressly stated. Furthermore, it is prohibited to publish material made or gathered by the Bank without written consent.
- Any and all limitation and disclaimer of liability set out above in regard to the Bank shall apply as a limitation and disclaimer of liability in regard to the Bank's management and employees.
- The disclaimers set out in the Creditors' Report published on the Bank's website apply to this presentation as well. The creditors' report published on the Bank's website forms part of this presentation.