KAUPTHING BANK

CREDITORS' MEETING 2009

Reykjavik, 20 October

Contents

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Abbreviations

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ResCom	Resolution Committee
FME	The Icelandic Financial Supervisory Authority
ICC	Informal Creditors' Committee
Bank	Kaupthing Bank hf
New Kaupthing, NKB	New Kaupthing Bank hf
KSF	Kaupthing Singer and Friedlander Limited
FIH	FIH Erhvervsbank A/S
KT Lux	Kaupthing Bank Luxembourg S.A.
Disbursement Act	Act No. 125/2008 on the Authority for Treasury Disbursements due to Unusual Financial Market Circumstances etc.
Transfer Decision	Decision of the FME on the disposal of assets and liabilities of Kaupthing Bank hf. to New Kaupthing Bank hf
ICB	Central Bank of Iceland
SCB	Central Bank of Sweden (The Riksbank)

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Welcome Address & Introduction

Purpose of this Creditors' Meeting

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- The Moratorium Supervisor and the ResCom have called for this meeting in accordance with article 15 of Icelandic Act on Bankruptcy, etc., No. 21/1991.
- The main purpose of this meeting is:
  - to provide creditors with an update on key events and activities since the last meeting in February
  - to provide creditors with the latest financial information on the Bank
  - to provide creditors with an overview of the processes and a summary of the Capitalization Agreement on New Kaupthing
  - to outline the next steps and the overall restructuring of the Bank
  - to discuss the possible extension of the Bank's moratorium on debt payments
- According to Icelandic law, no binding decisions can be made at this meeting

Key Events and Progresses during the Moratorium

Key Milestones

22 October to date – Introduction

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- On 6 October 2008 the Icelandic parliament passed the Disbursement Act.
- On 9 October 2008 FME appointed ResCom over the Bank which immediately assumed control of the Bank, including supervising of all its assets, and conducting its business operations.
- New Kaupthing created and takes over the Bank's commercial banking operation in Iceland on 22 October 2008.
- Moratorium of the Bank granted and later extended by the District Court of Reykjavik to 13 November 2009.
- Winding-up Committee appointed on 25 May 2009.
- Formal claim process started on 30 June 2009 and lasts for 6 months.
- ResCom and the Icelandic Government sign an agreement on settlement between Kaupthing and New Kaupthing on 3 September 2009.

Next steps

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- 31 October 2009: Last day for the ResCom to complete subscription to shares in New Kaupthing if the ResCom decides to do so.
- 13 November 2009: Further hearing at the District Court of Reykjavik to consider the extension of the moratorium of the Bank.
- 29 January 2010: Winding-up Committee to hold an all creditors' meeting.
- 24 November 2010: Maximum moratorium period for the Bank ends.
- When the moratorium concludes, the Bank enters a winding-up process. ResCom continues to operate under that process with the same aim as before to maximise the value of assets.
- The moratorium / winding-up process of the Bank would conclude by either a scheme of arrangement or insolvent liquidation.
- ResCom is working towards a solution whereby the restructuring of the Bank will be completed by a scheme of arrangement with creditors in order to prevent the bank from entering insolvency proceedings, which could reduce the value of assets.

General Approach by the Resolution Committee

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- The ResCom is committed to protect the interests of the Bank's creditors.
- The strategy of the ResCom is to protect the assets and maximize value was adopted from the beginning in line with creditor feedback.
- Creditors have from the very beginning raised concerns about:
  - Immediate sale of assets at fire sale prices
  - Enforced transfer of assets to New Kaupthing
- ResCom fully realizes that market conditions at this point in time were and are unlikely to produce acceptable values for many of its assets.
  - Most assets should be preserved and protected until market conditions improve
  - Determined to support the assets of the Bank where required with the objective to maximize value and does not entertain any "fire sale" bids
- Ultimate task and duty of the ResCom is to maximize the value of the Bank's assets and pass on the value to its creditors.

Balance Sheet Summary

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All amounts in ISKm	30.06.2009 Balance Sheet	30.06.2009 Pledged positions (1)	30.06.2009 Known priority claims (2)	30.06.2009 Balance sheet after subtracting (1) & (2)	31.12.2008 Balance sheet after subtracting
Cash in hand	98.799	-	-	98.799	77.963
Loans to credit institutions	442.923	(400.024)	-	42.899	148.548
Loans to customers	439.521	(82.262)	-	357.259	259.666
Bonds and debt instruments	119.064	(106.720)	-	12.344	2.652
Shares and instruments with variable income	214.600	(179.545)	-	35.055	23.203
Derivatives and unpaid derivatives	246.073	-	-	246.073	233.862
Investments in subsidiaries	135.562	(109.485)	-	26.077	25.707
Other assets	9.102	-	-	9.102	13.361
Less: Payment of known priority claims	-	-	(53.022)	(53.022)	(119.055)
Total assets	**1.705.644**	**(878.036)**	**(53.022)**	**774.586**	**665.907**
Due to credit institutions	151.808	-	-	151.808	173.892
Deposits	2.140	-	(2.140)	-	-
Derivatives and unpaid derivatives	136.296	-	-	136.296	138.751
Borrowings	3.237.006	(878.036)	-	2.358.970	2.284.429
Liability with New Kaupthing Bank	43.335	-	(43.335)	-	0
Other liabilities	108.302	-	(7.547)	100.755	101.924
Total senior liabilities	**3.678.887**	**(878.036)**	**(53.022)**	**2.747.829**	**2.698.996**
Subordinated loans	422.624	-	-	422.624	400.677
Interest expense from 22.04.2009-30.06.2009	27.804	-	-	27.804	-
Equity	(2.423.671)	-	-	(2.423.671)	(2.433.766)
Total liabilities and equity	**1.705.644**	**(878.036)**	**(53.022)**	**774.586**	**665.907**

All amounts in ISKm. FX conversion table and information on pledged assets, priority claims and set-off can be found in the Appendix of this presentation.

Value Maximization Dash Board

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	Fair Value Est. ISK bn (30 Jun)	Comment on Status
General		• Overriding principle of securing assets for creditors and value maximization • Value recovery from pledged assets (ongoing review) • Netting/ set-off impact (ongoing review; final assessment after claims registration)
Loans to customers and credit institutions	400	• 5 phase process for operating assets; initial focus on information gathering and securing and restructuring assets • Assessment on case by case basis regarding monetization: hold to maturity, sell in pieces, sell as portfolio • Nordic and Europe portfolio largely restructured; NOA portfolio - litigation/ review
Derivatives/ Other Assets	103	• Overall process mapped out and separate division set up; Alvarez & Marshall and Olswang hired as key advisors • Separate process for closed and open positions, domestic and foreign. Evaluation of value and legal position regarding calculation; negotiation and cash collection process set up
Subsidiaries	26	• FIH – shares pledged to Central Bank; discussion regarding timing of any disposal • New Kaupthing – settlement agreements signed • Other subsidiaries discussed later in this presentation

Value Maximization Dash Board

KAUPTHING BANK

	Fair Value Est. ISK bn (30 Jun)	Comment
Branches		• Includes: Austria, Finland, Germany, Norway, Dubai and Qatar • All in liquidation/dissolved/wind-down and discussed later in this presentation
Shares	35	• ISK 35 bn unpledged, of ISK 215 bn total • Focus thus far on securing positions • Ongoing review for value maximisation, tracking of value of positions • Storebrand as key assets - secured and monitored for monetization
Bonds	12	• ISK 12 bn unpledged of, ISK 119 bn total • Ongoing review for value maximization; tracking of portfolio value
Other		• Includes cash, property and equipment, tax assets, others

Nordic Branches/Subsidiaries – Consolidation

- FIH is still owned by the Bank, is a key asset and is no longer in a sales process.
  - The Bank remains the sole shareholder of FIH and two representatives of the ResCom are board members.
  - The ICB holds the entity shares as a pledge against a EUR 500m loan.
  - The board of FIH has adopted a plan to adjust and focus FIH's future activities to meet the current market situation of the financial sector.
  - The ResCom believes FIH is a strong bank and that selling it in the current market environment does not align with the interests of the Bank and its creditors because its value is presumably much higher when markets recover.

- The Finish publicly listed investment company Norvestia Oyj, is a subsidiary of the Bank.
  - The Bank owns 32.7% of the outstanding shares and holds 56% of the voting rights
  - The ResCom has two representatives in the board.
  - Initially, the ResCom received offers for the Bank's shares in Norvestia which were about 40% lower than the net asset value. The ResCom concluded that this price was unacceptable and decided to hold on to the shares.
  - Since then the bank has received EUR 1.25m dividend payment and the share price has risen about 30%. Furthermore, the ResCom has received more feasible offers, indicating that the value of the Bank's stake has increased by approx. EUR 25m.

Nordic Branches/Subsidiaries – Consolidation

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- The Nordic loan portfolio was part of the local affiliates/branches supported by local employees.
- The collapse placed the Bank's portfolios under great distress.
  - Sweden: Assets pledged to the SCB as security for a loan. The SCB wanted a swift sale of assets to secure repayment of the loan.
  - Norway: Assets were frozen and the Norwegian administration board planned to sell those assets to repay local liabilities. The ResCom contested this and managed to prevent the immediate sale of assets from the entity, including the Bank's position in Storebrand (approx. 5.5% of outstanding shares).
  - Finland: There was pressure to sell assets to repay loans from local banks.
  - The Bank's local operations were disrupted and proactive management of assets suffered.
- During Q4 2008 and Q1 2009, the main focus was on controlling the process in each country, avoiding a firesale of assets, while selling off the traditional banking business.
- Late in Q1, the ResCom had successfully dealt with the situation in each country: protected the assets and sold and/or closed down the operations.
- The vast majority of loans and equity positions from these entities were successfully consolidated on the balance sheet in Iceland.
- **In total, assets of nominal value of over EUR 1.2bn saved.**

Current Status of the Bank's Branches

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Name of branch	Current status
Kaupthing EDGE Austria	Has been wound down and is in the process of being deregistered
Kaupthing Bank Finland	Has been wound down and assets transferred to the Bank
Kaupthing EDGE Germany	Is being wound down and has been deregistered
Kaupthing Bank Norway	Under administration and assets transferred to the Bank
Kaupthing Bank Dubai and Qatar	Has been wound down and is in the process of being deregistered

Current Status of the Bank's Subsidiaries

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Name of subsidiary	Current status
FIH	Operational and owned by the Bank
Norvestia	Operational and partly owned by the Bank
Kaupthing Bank Sweden	Partially sold and its remainder wound down and assets transferred to the Bank
KSF	In administration
Kaupthing Singer & Friedlander (Isle of Man) Limited	In liquidation
Kaupthing Bank Luxembourg (KT Lux)	Dissolved
Kaupthing New York Inc.	Dissolved
Kaupthing Kabushiki Kaisha (Japan)	Has been wound down
Kaupthing (Hong Kong) Limited	In liquidation

The Resolution Committee

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The Resolution Committee

Steinar Thor Gudgeirsson, Attorney to the Supreme Court of Iceland - Chairman

Johannes Runar Johannsson, Attorney to the Supreme Court of Iceland

Knutur Thorhallsson, Certified Public Accountant

Theodor Sigurbergsson, Certified Public Accountant

External Legal Counsel
Weil, Gothsal & Manges UK

External Financial Advisors
Morgan Stanley

Moratorium Supervisor
Olafur Gardarsson
Attorney to the Supreme Court of Iceland

Secretary of the Resolution Committee

Media Relations

Asset Management

- **Europe Portfolio** – **11 employees**
- **Nordic Portfolio** – **10 employees**

Legal Counsel – **14 employees**

Finance – **21 employees**

Creditor Management – **3 employees**

Large part of the Asset Management team is located closer to the assets, in United Kingdom, Sweden and Finland.

When appropriate, external local advisors and consultants are hired to ensure top class expertise in every case.

Organizational Structure

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Kaupthing Bank hf.

The Resolution Committee

- Steinar Thor Gudgeirsson – Chairman
- Johannes Runar Johannsson
- Knutur Thorhallson
- Theodor Sigurbergsson

Reporting to the Resolution Committee:

- **External Legal Counsel**
  Weil, Gothsal & Manges UK
- **External Financial Advisors**
  Morgan Stanley
- **Secretary**
- **Media Relations**

Departments:

- **Asset Management (21)**
  - **Europe Portfolio and Other (11)**
  - **Nordic Portfolio (10)**
- **Legal Counsel (14)**
- **Finance (21)**
- **Creditor Management (3)**

The Winding-up Committee

- Olafur Gardarsson
- Feldis L. Oskarsdottir
- David B. Gislason

Reporting to the Winding-up Committee:

- **Moratorium Supervisor**
  Olafur Gardarsson
- **External Investigation Counsel**
  PwC
- **Secretary**
- **Media Relations**

Departments:

- **Record Management (7)**
- **Legal Counsel (7)**

Loan Restructuring
Europe & Nordic

Loans to Customers

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- Loans to customers can be broken into:
  - *Nordic portfolio:* the vast majority of loans to customers in the Nordic region
  - *Europe* portfolio*:* the vast majority of loans to customers in Europe
  - *NOA portfolio:* mainly non-operational assets
- The Nordic and Europe portfolios are actively managed by the asset management team and the vast majority of the stakes in these portfolios have underlying operations or assets.
- The ultimate goal of the asset management team is to secure maximum recovery.
- The loans in the NOA portfolio are under the supervision and management of the Inspection Committee and undergo thorough revision in the committee.
- Loans to customers at nominal value amounted to ISK 1.364bn. as at 30 June 2009.
- Loans to customers at fair value amounted to ISK 357bn as at 30 June 2009 (compared to ISK 260bn at year end 2008).
- Breakdown of Loans to customers at fair value as at 30 June 2009:
  - Nordic portfolio approx. ISK 140bn
  - Europe portfolio approx. ISK 170bn
  - NOA portfolio approx. ISK 47bn
- The mandate of the asset management division can be broken into five steps: stabilization, consolidation, full overview, which leads to the ordinary management of the assets and ends with an exit strategy. These steps which apply to the Europe and Nordic portfolios will be discussed on the following slides.

Step 1 – Stabilization

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The Asset Management team was up against major challenges in the beginning

- Many borrowers were in great turmoil because of the Bank's status
  - Suppliers, credit insurance pulled back
  - Clearing banks, RCF pulled back
  - Threats and asset freezing
  - Management teams in some cases reluctant to work with the Bank and tried to utilize the situation in their own interest

- The main task was to stabilize the situation and to retain value wherever possible by preventing the collapse of different assets and by refusing strongly any fire sale bids
  - Accounts supported on a very selective basis and collateral released to prevent the collapse of strong entities
  - Assets prioritized and significant effort put into convincing relevant parties, i.e. other banks, suppliers and management teams, not to react negatively to the temporary unstable situation
  - The new structure of the Bank communicated
  - A strong and experienced team put in place
  - ➢ ***Despite high uncertainty and stressful conditions, the Bank managed to preserve the asset base and no assets were lost in this turmoil***

Step 2 – Consolidation

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The Bank protected assets in its foreign entities in the Nordic region and finally managed to transfer assets back to the parent company

- Assets were transferred from branches and a subsidiary in the Nordic region to the parent company.
  - Branch closed in Finland and assets of approx. EUR 100m at nominal value were transferred to Iceland.
  - Branch closed in Norway and assets of approx. EUR 300m at nominal value were transferred to Iceland.
  - Subsidiary in Sweden sold to Ålandsbanken and assets of approx. EUR 800m at nominal value retrieved.

- The transfer of all loans from over 50 borrower groups from foreign entities to the parent company was operationally intense.
  - Consent of borrower sometimes required to transfer between legal entities.
  - Potential complications in collateral transfers between countries.
  - Extensive manual work for loan administration.
  - ***Total of approx. EUR 1.2bn nominal value of assets transferred from foreign entities in the Nordic region***

Step 3 – Full Overview

Once the initial challenges had been overcome, a more comprehensive and thorough approach was taken on the asset portfolio

- Full overview of all assets
  - Responsibility allocated between employees from asset management, portfolio management, finance and legal counsel. Members of relevant teams responsible for each asset in the Bank's asset portfolio.

- Each asset was analyzed with respect to several parameters such as
  - Underlying asset value
  - Operational strength
  - Past cash flow analysis and future cash flow projections

- Each asset prioritized by urgency and size
  - If relevant, action plans for specific assets were made.
  - A vast majority of the loan portfolio managed by the team are positions which have been actively worked on.

Step 4 – Management

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With a full overview of the assets, the Bank went into management of the assets

- Securing maximum recovery with pro-active management of every asset.
  - Action in case of covenant breach and/or need for healthier capital structure

- Setting objectives for each asset.
  - Healthy capital structure with no covenant breaches
    - Restructured, debt equity swaps, forcing pledges
  - Motivated management team
  - Ensure satisfied operational results and future plans
  - Able to perform DD and structure a sales process

- When appropriate and in all major cases, external advisors and consultants are hired to ensure top class expertise.

Step 5 – Exit Strategy

With step 1 to 4 we have a solid foundation for the development of a medium to long term strategy for each asset with the aim of ensuring realization of its maximum value

- Increase the value of an asset by developing it into a more stable and sellable form
- Advising the ResCom on a strategy going forward, such as:
  - Holding an asset to maturity
  - Structuring a sales process through auction / with market testing – timing of exit crucial
  - Handover of asset or asset class through an SPV

- The work has been focused on value creation, keeping in mind the eventual realization of the value of its assets but to date the focus has not been on the formalization of exit strategies and very few assets have been sold.

The ultimate goal is to develop the optimal solution for each asset and thereby maximize recovery value for the creditors of the Bank.

Loans to Customers by Portfolio

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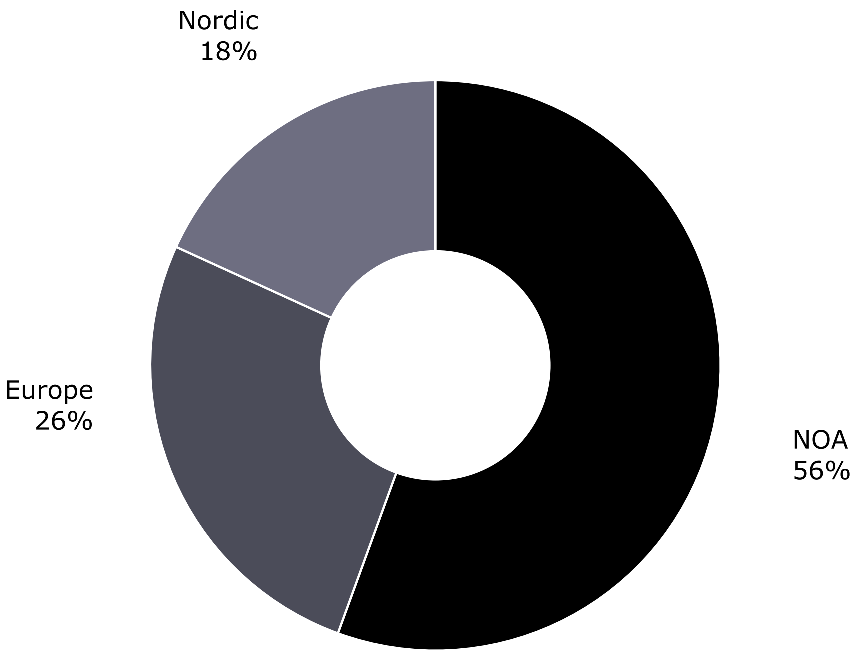
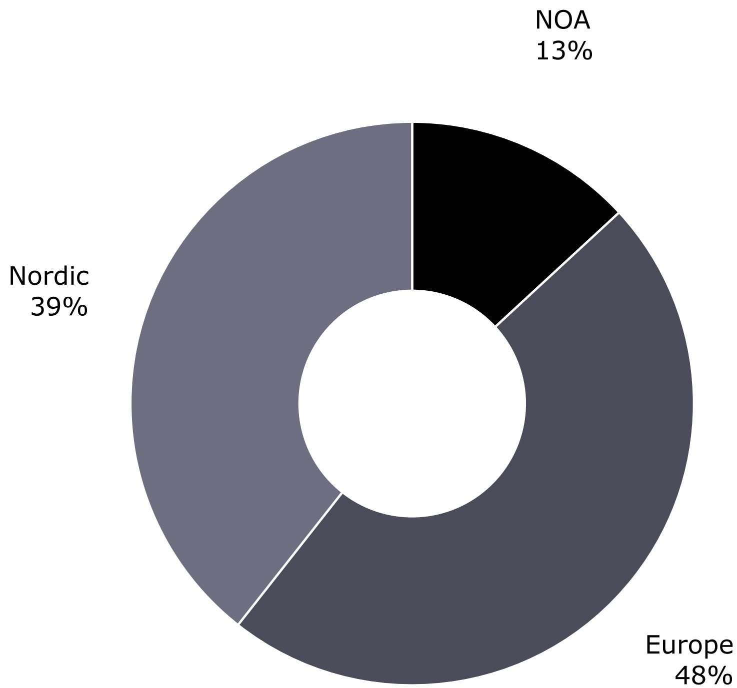
Portfolio Categorization by nominal value
30 June 2009



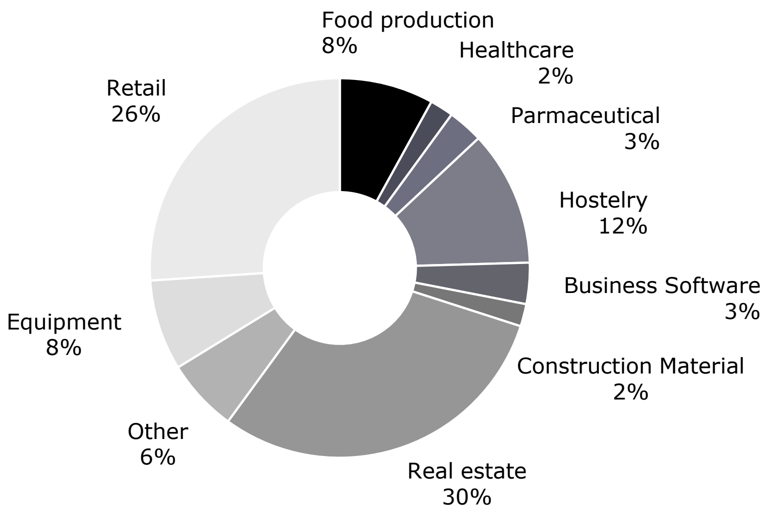
Portfolio Categorization by fair value
30 June 2009



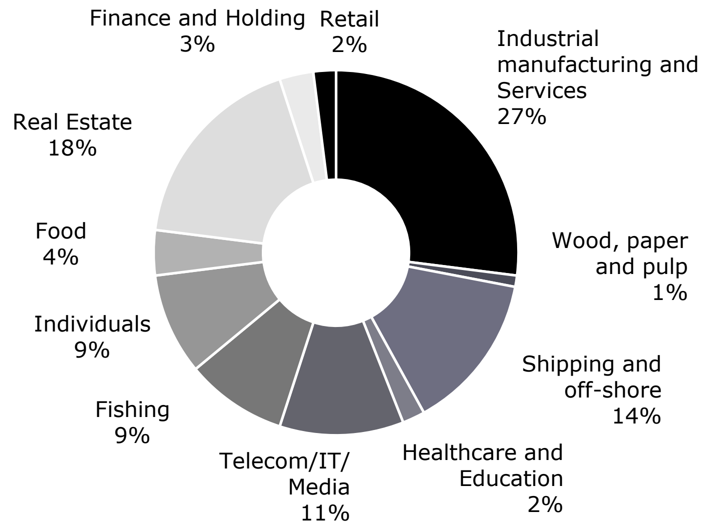
Loans to Customers by Sector

Loans to customers at nominal value 30 June 2009

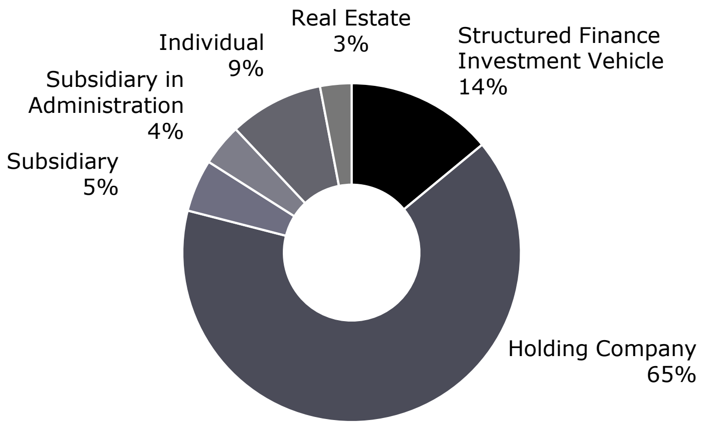
Europe portfolio



Nordic portfolio



NOA portfolio



Past Cash Flow Analysis

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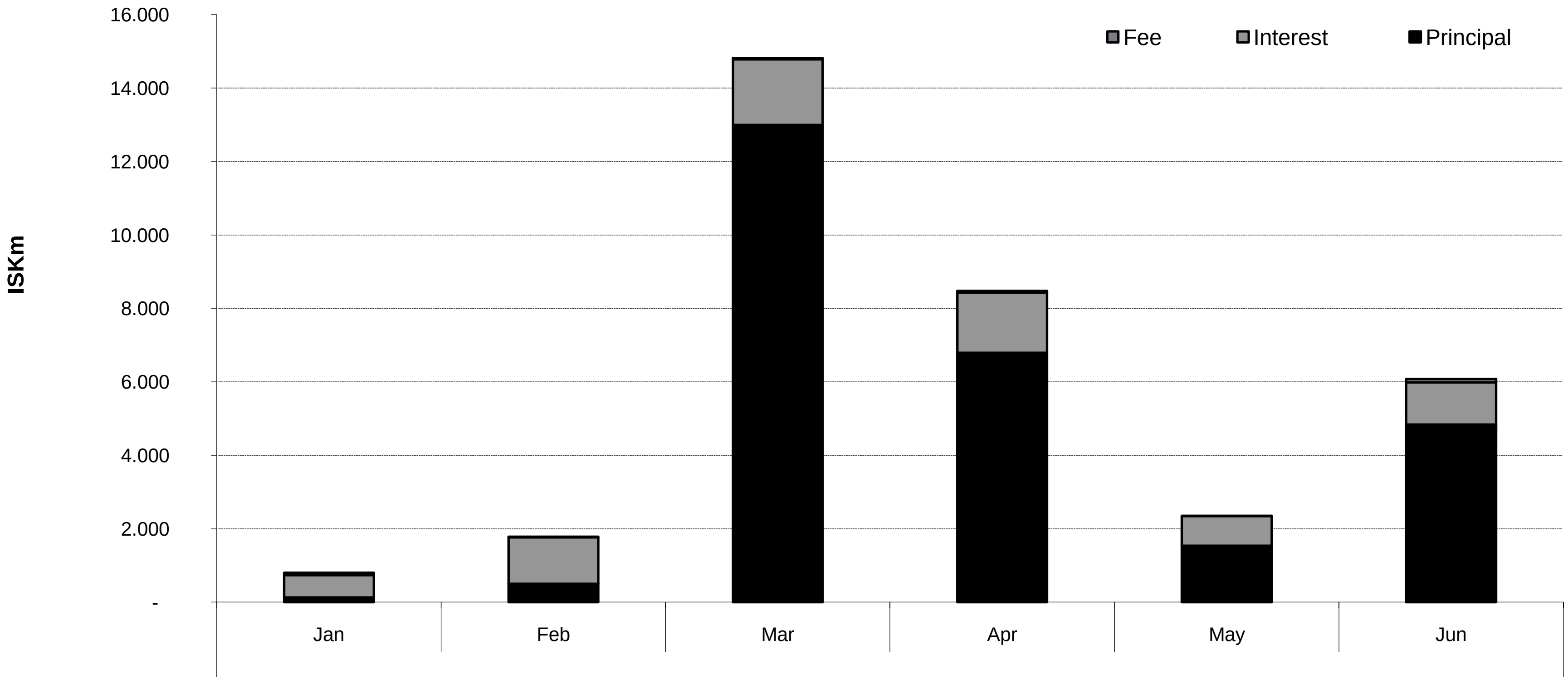
- The Bank's most significant cash flow is generated from loans to customers, i.e. from loans in the *Nordic, Europe and NOA* portfolios.
- The graph below shows past net cash flow analysis for these portfolios during H1 2009.
- The net cash inflow from these portfolios was approx. ISK 36bn in H1 2009.
- The real outflow from these portfolios used to support the assets was approx. ISK 3,6bn in H1 2009.



Restructuring Efforts

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- Considerable part of the Nordic and Europe portfolio have undergone major restructuring.
- In December 2008, 76% of Europe portfolio and 44% of the Nordic portfolio (since March 2009) was on the Bank's Watch list (or had the risk of getting there)
  - Those are assets whereby cash flow is insufficient to service debt and there are (repeated) covenant breaches. Some of which where (a) are in industries badly hit by recession or (b) had owners that were distressed because of the financial crises and unable to support their assets or (c) had the wrong capital structure to start with.
- Based on the nominal value (post restructuring), the Nordic team has completed actions in cases representing 45% of the value of the portfolio and the Europe team 68%, thereof full restructuring of approx. 40% in Europe and 11% in Nordic.
- Already started to see equity value being created in some of the restructuring cases.
  - The Bank has, as an equity holder, both made sure that shareholders' views are presented by nominating its own employees while also making sure to retain board members with industrial know-how.

Europe portfolio excludes post restructuring debt which is still on Mosaic Fashions (in administration) and the Bank's financing of NoHo Square (real-estate development at standstill) where the Bank has also all the equity

Restructuring Principles

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- The objective of all restructuring efforts is to maximize the likelihood of recouping the Bank's previous full exposure, protecting the Bank's interests and the company value going forward.
- Before restructuring the account is analyzed extensively, taking into account various other options, other creditors, collateral position etc.
  - Two common scenarios where restructuring is a real option is when
    - (a) Insufficient cash flow to service the debt, the company has no real equity and there is a risk of management behaving irrational AND/OR
    - (b) Potential equity value and the Bank gains a legal avenue to the asset due to e.g. covenant breaches.
- When covenants are broken, the risk profile is reassessed with increased margins and fees.
- The aim with a successful restructuring is to get the right and aligned incentives, where all stakeholders start contributing to value creation and a stronger competitive position.

Restructuring Core Values

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Following are practicalities that the Bank finds important when executing a capital restructuring

- Finding the right balance between operational disruptions and the possible outcome from the financial restructuring.
- Finding the right balance between the costs associated with the financial restructuring and its complications against future cost savings and how easily the structure will be to manage.
- Finding the right balance between what incentives to give to other stakeholders.
  - Good understanding of the company's future prospects and its value are of utmost importance.
  - Aim to set the debt level not lower than perceived enterprise value at restructuring.
- Finding the right balance between the breathing space given to increase the value of the business and the repayment of debt.

In all major cases the Bank has relied on valuation work or input by third party advisors.

Actions Taken on the Portfolio

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- ***The portfolio contains 107 accounts, accounts totaling ISK 162bn at nominal value are currently being restructured, thereof 9 assets with a nominal value of ISK 110bn* have been completed***
- Proactive approach in managing the loan portfolio
  - Number of key accounts have been fully restructured and are today fully operational.
  - Fair number of full repayments without discounts.

	Initial Nominal / Pre restructuring	Accounts		Full restructuring		Major actions		Minor actions		Operational/ No action taken		Full repayment	
	Value	#	Value*	#	Value*	#	Value*	#	Value*	#	Value*	#	Value*
Europe	**308**	**36**	**227**	**10**	**123**	**8**	**62**	**2**	**9**	**16**	**33**	**3**	**21**
- % completed end of Q3					**70%**		**98%**		**77%**				
Nordic	**220**	**71**	**219**	**15**	**39**	**13**	**61**	**15**	**53**	**28**	**65**	**15**	**13**
- % completed end of Q3					**59%**		**81%**		**51%**				

* Value refers to post-restructuring nominal value as at 30 September 2009, all amounts in ISKbn.

Europe portfolio: ISK 81bn debt to equity conversion in the Europe portfolio explains the difference between the nominal value pre restructuring and post restructuring (ISKbn 308 vs. 227).

Nordic portfolio: ISK 1bn debt to equity conversion in the Nordic portfolio explains the difference between the nominal value pre restructuring and post restructuring (ISKbn 220 vs. 219).

* Europe portfolio here excludes post restructuring debt which is still on Mosaic Fashions (in administration) and the Bank's financing of NoHo Square (real-estate development at standstill) where the Bank has also all the equity.

Definitions:

Full restructuring: typically includes enforcement procedures, new owners and full restructuring of debt.
Major action: major waivers, restructuring of debt and occasional equity injection.
Minor actions: minor adjustments or temporary covenant or repayment waivers.

Progress with Restructuring Work

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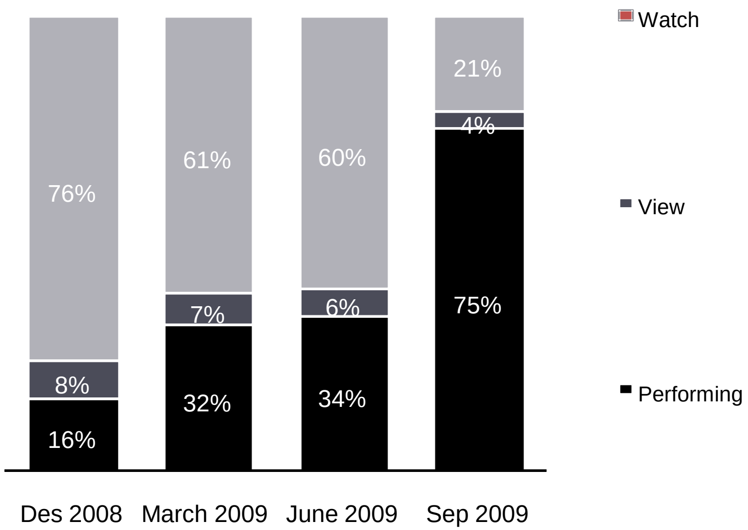
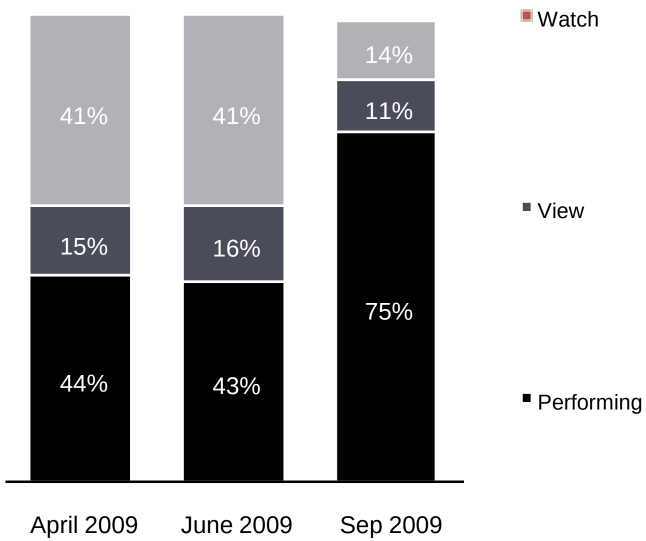
- The restructuring of the loans has progressed substantially in the last quarter now only approx. 21% of the Europe and 14% of the Nordic loan balance is still on watch list.
  - *Performing loans:* Loans to entities where cash flow is sufficient to service debt, i.e. interest and principal repayments, 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 graphs below show the portfolios based on the nominal value in the respective month.

Europe portfolio*



* Europe portfolio here excludes post restructuring debt which is still on Mosaic Fashions (in administration) and the Bank's financing of NoHo Square (real-estate development at standstill) where the Bank has also all the equity

Nordic portfolio



Majority of the loans in the Nordic portfolio were transferred from the respective countries in Q1 2009.

Full Repayments & Exits

KAUPTHING BANK

- Full repayment has been made by 17.2% of unique borrowers of Nordic portfolio and 7.7% of Europe portfolio representing approx. 5.5% and 8.5% of nominal value post restructuring of the respective portfolios as at 30 September 2009.
- The bulk of loans realised to date have been paid in full, i.e. 17 out of 21, amounting to ISK 29bn.
- The weighted average recovery of realised loans is 86%
- 4 loans have been sold, thereof 3 somewhat below par:
  - one at marginal discount
  - transaction in October 2008 to secure the liquidity position of the Bank.
  - subordinated mezzanine position in a highly leveraged distressed company sold above fair value as enterprise value broke in the senior debt.
  - Loan sold in the spring for a price significantly higher than its otherwise perceived market value. The company had been under strain and performing poorly.

Europe portfolio here excludes post restructuring debt which is still on Mosaic Fashions (in administration) and the Bank's financing of NoHo Square (real-estate development at standstill) where the Bank has also all the equity.

External Advisors – Hired in Restructuring

KAUPTHING BANK

DLA PIPER
UK Legal

SLAUGHTER AND MAY
UK Legal

Hammonds
UK Legal

OLSWANG
UK Legal, Tax

MAPLES
Cayman Legal

ALLEN & OVERY
UK Legal

Smith & Williamson
UK Pre-pack administrator

BDO
BDO Stoy Hayward
UK Valutation, Tax, Structure

Deloitte.
UK Valuation,
UK pre-pack administrator,
Finland Tax

PRICEWATERHOUSECOOPERS
UK Tax and structuring
UK Business valuation,
Sweden Structure

Herbert Smith
France Legal

BOODLE HATFIELD
UK Legal

VINGE
Sweden Legal

MANNHEIMER SWARTLING
Sweden Legal

LINDAHL
Sweden Legal

WIKBORG REIN
Norway Legal

BORENIUS & Co Est. 1928
Finland Legal

PLESNER
Denmark Legal

Morgan Stanley

CATELLA
Sweden Structure

capacent KEEP IMPROVING
Sweden Structure, Value

KPMG
Denmark Structure

ERNST & YOUNG
Quality In Everything We Do
Sweden Tax

NEWSEC
The Full Service Property House
Sweden Real estate advice

Pareto
Norway Valuation

Financial Information Update

Statement of Compliance

- The financial information on the following slides and with notes in this presentation's Appendix, as at 30 June 2009 and 31 December 2008, is a summary of financial information previously published in the Bank's Creditors' Report and available on the Bank's website.
- The valuation of assets and liabilities as at 30 June 2009 and 31 December 2008 was prepared by the ResCom for the Bank’s parent company. The information herein is neither audited nor reviewed by independent auditors but were prepared with assistance from PricewaterhouseCoopers hf. in Iceland.
- The ResCom emphasizes that the valuation herein is a historic valuation only. No attempts were made at this time to assess the possible future value of assets, nor to estimate likely recovery of creditors' claims.
- The valuation of assets and liabilities does not take fully into account the impact of set-off. Further information on set-off can be found in the Appendix.
- A formal process for the creditors of the Bank to file claims against the Bank began on 30 June 2009 and will end on 30 December 2009. Until all claims have been filed, the real and accurate amount of liabilities and priority claims is uncertain. In accordance with Act no. 44/2009, all liabilities are fixed as at 22 April 2009.
- Due to uncertainty in valuation of underlying collateral, potential deficiency claims resulting from insufficient collateral in secured funding agreements has not been accounted for herein.
- Readers' attention is also drawn to the terms of the disclaimer at the beginning and the end of this presentation.

The Bank's Balance Sheet

KAUPTHING BANK

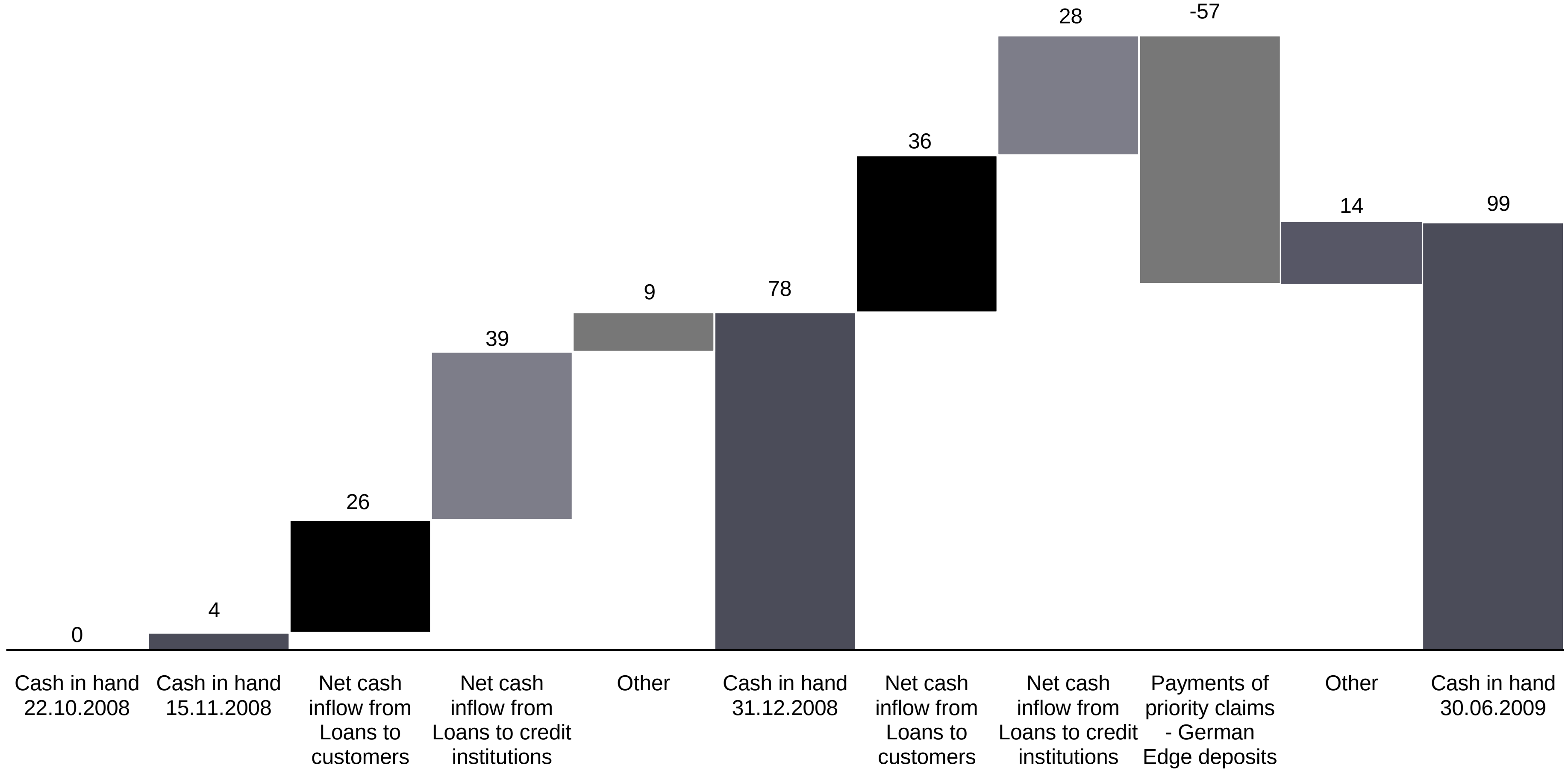
The table below presents the Bank's balance sheet as at 30 June 2009 and 31 December 2008.

All amounts in ISKm	Notes	30.06.2009	31.12.2008
Cash in hand	1	98.799	77.963
Loans to credit institutions	2-3	442.923	522.714
Loans to customers	4-8	439.521	337.023
Bonds and debt instruments	9-10	119.064	115.931
Shares and instruments with variable income	11-12	214.600	161.851
Derivatives and unpaid derivatives	13-14	246.073	233.862
Investments in subsidiaries	15	135.562	129.464
Other assets	16	9.102	13.361
Total assets	**1-16**	**1.705.644**	**1.592.169**
Due to credit institutions	17	151.808	173.892
Deposits	18	2.140	54.775
Derivatives and unpaid derivatives	19-20	136.296	138.751
Borrowings	21	3.237.006	3.091.636
Liability to New Kaupthing Bank hf. in return of assets and	22	43.335	41.027
Other liabilities	23	108.302	125.177
Total senior liabilities	**17-23**	**3.678.887**	**3.625.258**
Subordinated loans		422.624	400.677
Interest expenses from 22.4.2009-30.6.2009		27.804	
Total subordinated liabilities		**450.428**	**400.677**
Share capital		7.270	7.270
Share premium		136.471	136.471
Retained earnings		(2.567.412)	(2.577.507)
Total equity		**(2.423.671)**	**(2.433.766)**
Total liabilities and equity		**1.705.644**	**1.592.169**

All amounts in ISKm. FX conversion table , the accompanying notes to the balance sheet and the valuation methodology applied for each asset class can be found in the Appendix.

Cash in Hand

KAUPTHING BANK

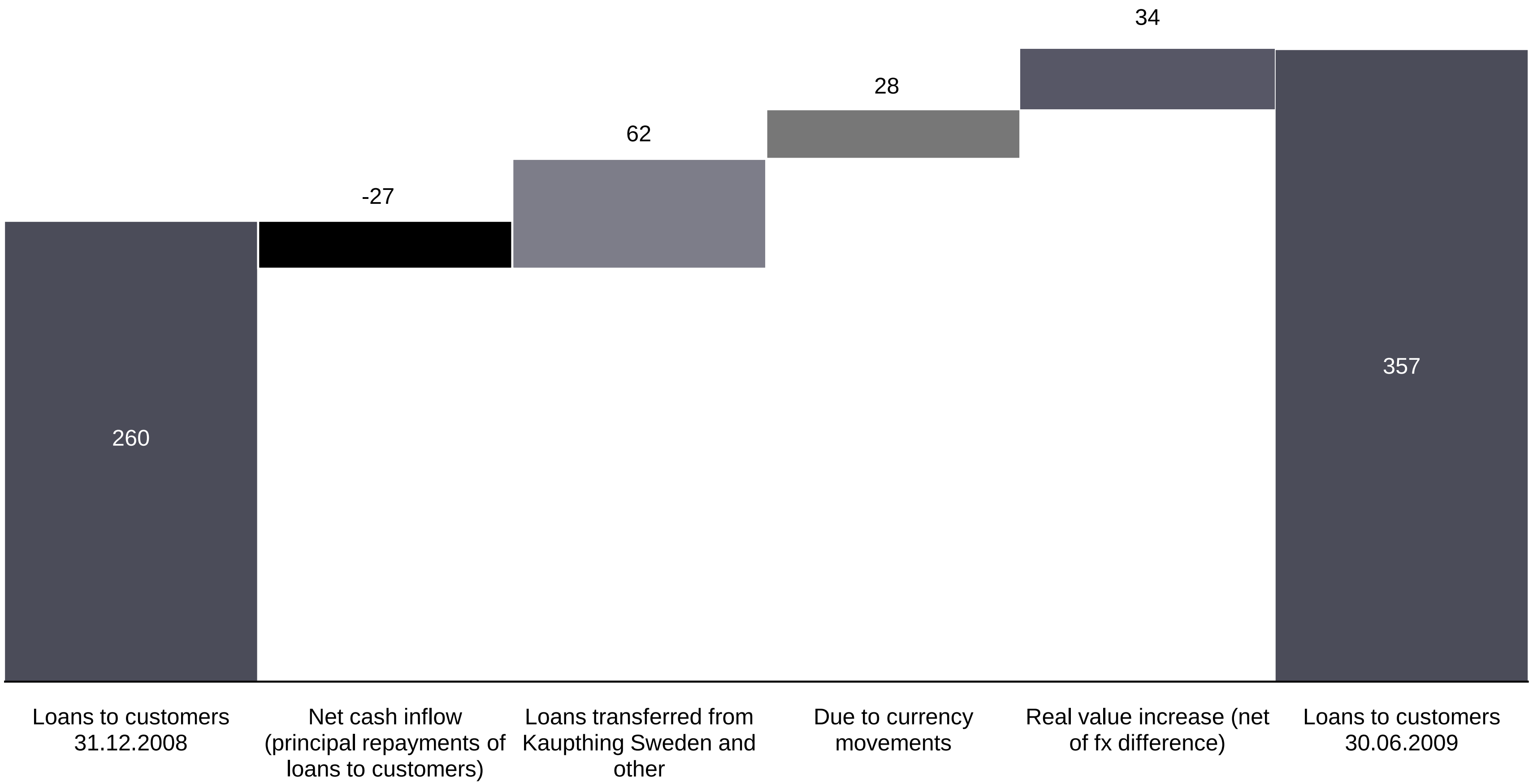


- According to FME's Transfer Decision from 21 October 2008, all cash balances were transferred to New Kaupthing, resulting in the Bank's cash balances being wiped out at that date.
- The development in Cash at hand is displayed above. Cash in hand amounted to ISK 99bn as at 30 June 2009.
- The cash reserve is currently yielding interests which are in line with the interests environment in the market.

All amounts in ISKbn. FX conversion table can be found in the Appendix.

Loans to Customers – Development at Fair Value

KAUPTHING BANK



- The developments in Loans to customers in H1 2009 are displayed above.
  - Loans to customers at fair value was ISK 260bn at 31 December 2008
  - Loans to customers at fair value was ISK 357bn at 30 June 2009
  - Net cash inflow and real value increase amount to ISK 61bn in H1 2009

All amounts in ISKbn. FX conversion table can be found in the Appendix.

Derivatives – status update

KAUPTHING BANK

- In line with ResCom's objective to maximise recoveries for the creditors of the Bank, the ResCom has retained Alvarez and Marsal ("A&M") to review the existing portfolio of derivatives transactions and execute a plan that will maximise recoveries.
- The business law firm Olswang was appointed as an external legal counsel to work on the legal process associated with recoveries of the derivatives portfolio.
- A&M's mandate is to manage the overall process of the winding down of the derivatives book.
- A&M's experience of unwinding the derivatives book at Lehman Brothers makes them ideally suited to running a recovery process.
- To do this A&M will work with and coordinate the existing Kaupthing employees along with external derivatives valuation specialists and the Bank's external legal counsel, Olswang.
- The number of counterparties involved are over 350 including both Icelandic and international names, with over 2,500 individual transactions.
- The plan, by applying a strict prioritisation process, puts the highest emphasis on those transactions that will maximise recovery of funds to the Bank.
- It is anticipated that the high priority transactions, those that will recoup the maximum value, will be processed by February 2010.
- The remaining transactions will be dealt with in order of their ability to return value to the Bank.

Derivatives and Unpaid Derivatives - Assets

KAUPTHING BANK

All amounts in ISKm	Gross fair value	Provisions	30.06.2009 Net fair value	31.12.2008 Net fair value
Derivatives	41.972	(17.555)	24.417	43.098
Unpaid derivatives*	381.012	(159.356)	221.656	190.764
Derivatives and unpaid derivatives	**422.984**	**(176.911)**	**246.073**	**233.862**
Collateral received from counterparties	(143.517)		(143.517)	(137.236)
Net derivatives and unpaid derivatives	**279.467**	**(176.911)**	**102.556**	**96.626**

Derivatives and unpaid derivatives by type

All amounts in ISKm	Gross fair value	Provisions	30.06.2009 Net fair value	31.12.2008 Net fair value
Open FX Trades, Asset Swaps & Interest Rate Swaps	39.990	(16.726)	23.264	42.651
Open Caps, Floors, Barriers	1.982	(829)	1.153	447
Unpaid FX Trades, Asset Swaps, Interest Rate Swaps & FX Options	378.713	(158.393)	220.320	189.493
Unpaid Credit Derivatives*	(4.860)	2.032	(2.828)	(2.693)
Unpaid Equity Options*	6.254	(2.616)	3.638	3.463
Unpaid Caps, Floors, Barriers*	905	(379)	526	501
Derivatives and unpaid derivatives	**422.984**	**(176.911)**	**246.073**	**233.862**
Collateral received from counterparties	(143.517)		(143.517)	(137.236)
Net derivatives and unpaid derivatives	**279.467**	**(176.911)**	**102.556**	**96.626**

- Derivatives on the asset side amounted to ISK 103bn at net fair value as at 30 June 2009.
- Collateral received through CSA from ISDA Financial Institutions counterparties in relation to derivative trades is included in 'Due to Credit Institutions'. Other collateral for non-ISDA counterparties is not included in the balance sheet unless enforcement of the underlying collateral has taken place.

All amounts in ISKm. FX conversion table can be found in the Appendix.

*Matured and terminated trades and unpaid cash flow from open trades

Derivatives and Unpaid Derivatives – Assets cont'd

KAUPTHING BANK

- The estimated value of derivative assets after provisions is ISK 246.073m.
- This is however, not the final settlement amount the Bank is expecting to receive from counterparties.
- As stated in note 14, the Bank had before the collapse received collateral from counterparties in relation to some derivative trades. This collateral was part of the Bank's own funds and had been re-used, re-invested or moved to New Kaupthing in October.
- Therefore, to estimate the value of the Bank's assets distributable to creditors as at 30 June 2009 the collateral already received which amounts to ISK 143.517m as at 30 June 2009 needs to be deducted from Derivatives and unpaid derivatives on the asset side and from Due to credit institutions on the liability side.
- Estimated net fair value of derivatives is therefore ISK 102.556m as at 30 June 2009 as stated in note 14.

Balance Sheet - Summary

KAUPTHING BANK

All amounts in ISKm	30.06.2009 Balance Sheet	30.06.2009 Pledged positions (1)	30.06.2009 Known priority claims (2)	30.06.2009 Balance sheet after subtracting (1) & (2)	31.12.2008 Balance sheet after subtracting
Cash in hand	98.799	-	-	98.799	77.963
Loans to credit institutions	442.923	(400.024)	-	42.899	148.548
Loans to customers	439.521	(82.262)	-	357.259	259.666
Bonds and debt instruments	119.064	(106.720)	-	12.344	2.652
Shares and instruments with variable income	214.600	(179.545)	-	35.055	23.203
Derivatives and unpaid derivatives	246.073	-	-	246.073	233.862
Investments in subsidiaries	135.562	(109.485)	-	26.077	25.707
Other assets	9.102	-	-	9.102	13.361
Less: Payment of known priority claims	-	-	(53.022)	(53.022)	(119.055)
Total assets	**1.705.644**	**(878.036)**	**(53.022)**	**774.586**	**665.907**
Due to credit institutions	151.808	-	-	151.808	173.892
Deposits	2.140	-	(2.140)	-	-
Derivatives and unpaid derivatives	136.296	-	-	136.296	138.751
Borrowings	3.237.006	(878.036)	-	2.358.970	2.284.429
Liability with New Kaupthing Bank	43.335	-	(43.335)	-	0
Other liabilities	108.302	-	(7.547)	100.755	101.924
Total senior liabilities	**3.678.887**	**(878.036)**	**(53.022)**	**2.747.829**	**2.698.996**
Subordinated loans	422.624	-	-	422.624	400.677
Interest expense from 22.04.2009-30.06.2009	27.804	-	-	27.804	-
Equity	(2.423.671)	-	-	(2.423.671)	(2.433.766)
Total liabilities and equity	**1.705.644**	**(878.036)**	**(53.022)**	**774.586**	**665.907**

Please refer to the Appendix for information on pledged assets, priority claims and set-off.

All amounts in ISKm. FX conversion table and the valuation methodology applied for each asset class can be found in the Appendix.

Capitalization Agreement on New Kaupthing

KAUPTHING BANK

Overview of Agreements with the Government

Agreement with the Government

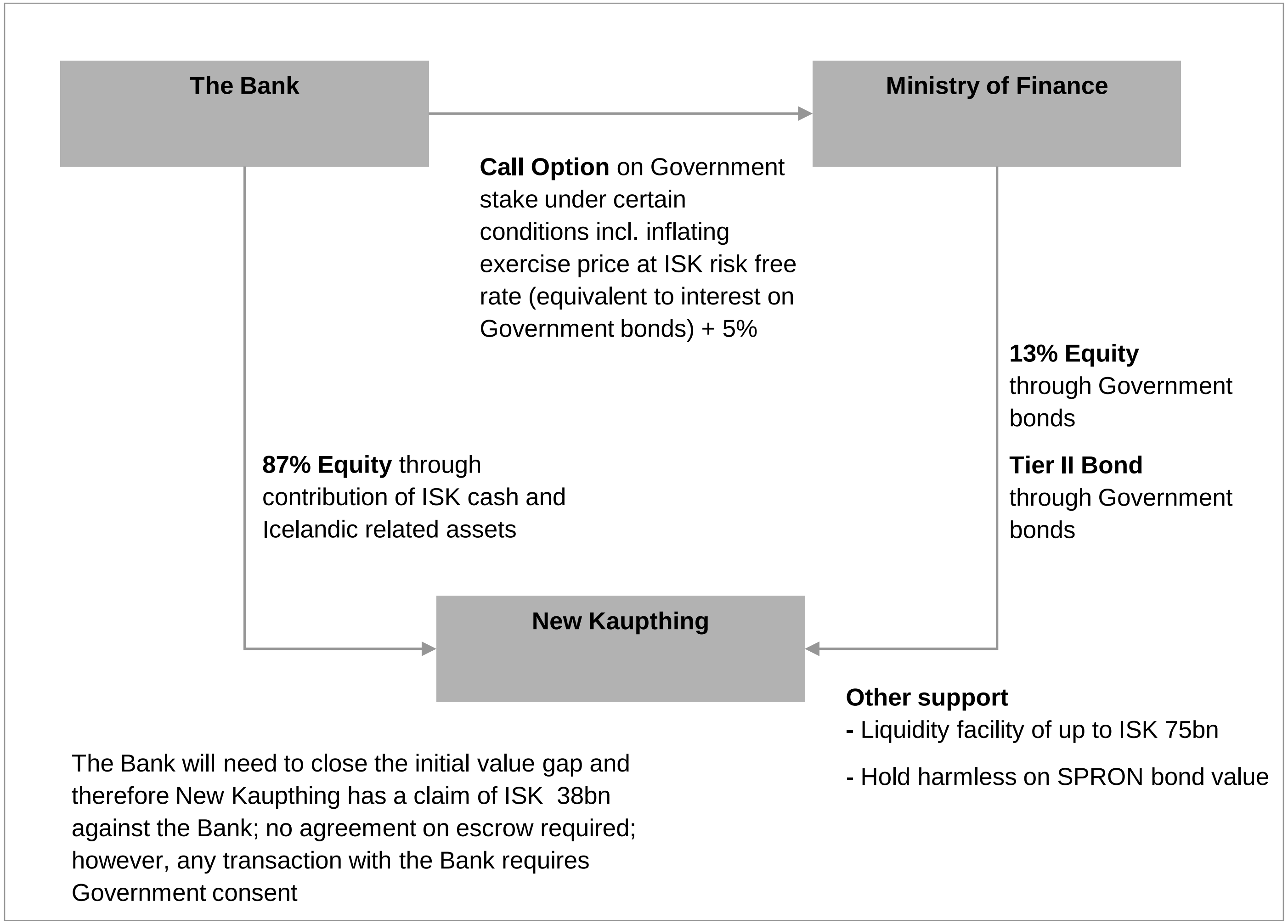
KAUPTHING BANK

- The ResCom with the support of Morgan Stanley and participation of the ICC subcommittee has negotiated two options for creditors to provide feedback on:
  - Option 1: Retention and capitalization of New Kaupthing (Option 1) with the Government contributing in various ways including capitalization and liquidity
  - Option 2: Capitalization of New Kaupthing by the Government with Kaupthing holding an equity option to acquire 90% of the New Kaupthing, exercisable based on year end accounts in 2010-2014, and receive upside from a defined asset pool
- According to the agreements the initial value gap is assessed at ISK 38bn which was negotiated from ISK 86bn, presented by New Kaupthing's management at the beginning.
- The negotiations commenced in 4 June 2009. Non binding agreements were signed on 17 July 2009 and binding documentation on 3 September 2009.
- The ResCom has the sole power to decide which of the two solutions will be selected.
  - According to the agreements such a decision must be taken before 31 October 2009
  - The ResCom welcomes the feedback of creditors regarding their preference with regard to the negotiated options prior to taking a decision
  - Until the decision has been taken creditors have been invited to conduct their own due diligence

Option 1: The Bank retains New Kaupthing

KAUPTHING BANK

- **Structure Summary:**
  - The Bank provides 65% of capitalization (87% of common equity)
  - Government provides 35% of capitalization (13% of common equity + Tier II subordinated bond)
  - The Bank has a call option to buy the Government’s stake at a later point in time under certain conditions
  - Contribution % might change due to structuring or approval issues
- **Agreements signed:**
  - Kaupthing Capitalization Agreement
  - Tier II Capital Instrument with ability to convert into Tier I instrument
  - Shareholders’ Agreement
  - Set-off Agreement
  - Hold Harmless Letter



Option 1: Summary of Key Terms

KAUPTHING BANK

- Kaupthing Capitalization:
  - 65% contribution from Kaupthing against ISK Cash and Icelandic related assets. Receives 87% ownership based on current risk weighted assets. Contribution is approx. ISK 66bn
  - 35% from Government which it receives 13% in equity and Tier II note for ISK 25bn being denominated in Euro with the FX rate of the issue date of the instrument
  - 16% CAD ratio; 12% Tier I and 4% Tier II
  - Aggregate net income of New Kaupthing from 22 October 2008 until 30 September 2009 for the Government. In case of losses the Government compensates New Kaupthing

- Tier II Capital Agreement:
  - 4% Tier II equals approx. ISK 25bn at FX rate at the issue date
  - Quarterly interests of 1-month EURIBOR + 400bps with step up to 500bps after 5 years
  - Non-secured, subordinated instrument
  - Conversion right into Tier I at discretion of the company; in case of conversion the holder has the right to choose between common equity or preferred equity at agreed terms

Option 1: Summary of Key Terms cont'd

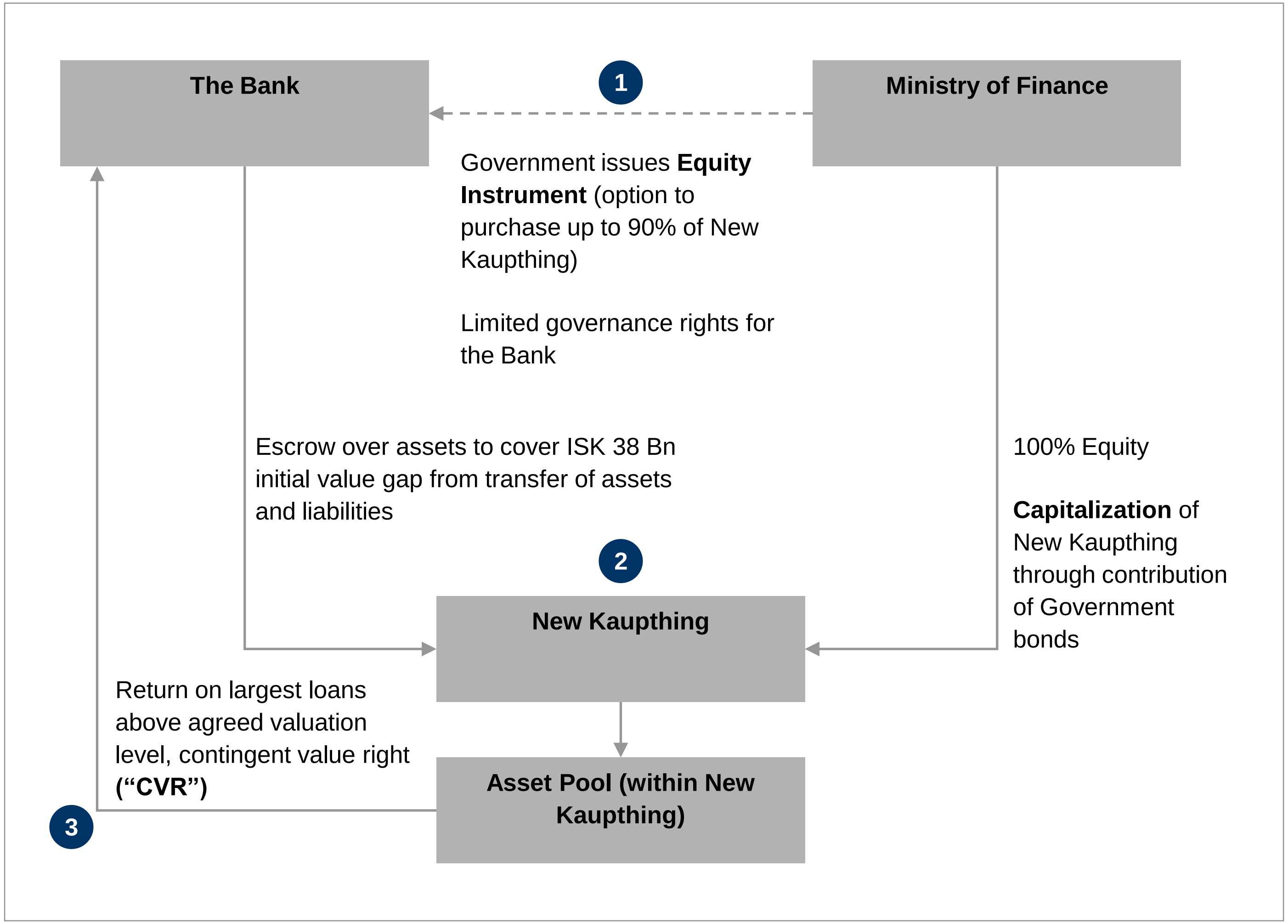
KAUPTHING BANK

- Shareholders' Agreement:
  - 1 Board member for the Government including representation in compensation committee
  - Veto right for Government for winding-up, cease operations, liquidation, change of articles of association that materially prejudices the Government vs. other shareholders, dividend payments in first 3 years, transactions between New Kaupthing and the Bank
  - Shareholder agreement terminates when the Government holds below 5%
  - Drag-along and tag-long rights
  - Pre-emption right for Kaupthing on Government stake
  - Option to purchase the Government stake at ISK risk free rate + 5%. In case of exercise repayment need for Tier II instrument
- Set-off Agreement:
  - Guarantees and claims: If a customer of New Kaupthing sets off claims against Kaupthing for liabilities towards New Kaupthing then Kaupthing compensates New Kaupthing up to the transfer value of the asset. If New Kaupthing suffers a loss under a Transferred Guarantee then Kaupthing compensates New Kaupthing by in aggregate up to ISK 3bn
  - Collateral: pro-rata sharing of shared collateral based on nominal claims. The maximum amount of the shared collateral shall not exceed ISK 2bn

Option 2: Government Retains New Kaupthing

KAUPTHING BANK

- Based on creditors' feedback, should the ResCom decide not to complete the capital increase/ retain New Kaupthing, then New Kaupthing remains capitalized by the Government and a different set of negotiated compensation instruments will be issued.
- **Structure:**
  - 1 – Kaupthing participates in overall equity upside through Equity Instrument (call option to acquire 90% of equity from the Government at pre-agreed terms)
  - 2 – Kaupthing required to pledge selected assets to cover for any potential negative value from the transfer of assets and liabilities in the initial balance sheet New Kaupthing
  - 3 – Receives contingent value rights ("CVR") on value upside of defined asset pool comprised of the largest loans in New Kaupthing
- **Agreements signed:**
  - Contingent value right and escrow agreement
  - Equity option agreement
  - Set off agreement



Option 2: Summary of Key Terms

KAUPTHING BANK

- Equity Option Agreement:
  - Right of Kaupthing/ holder to repurchase 90% of the equity from the Government
  - Exercise period: one month following the publication of the annual report for the years 2010-2014 or before any exit by the Government
  - Price: ISK risk free rate (equivalent to interest rate paid on Government bonds) + 5%
  - Governance rights for optionholder(s): One board representative with veto rights including material changes to constitutional documents, winding-up, material changes in the nature of the business operations including acquisitions/ disposals, any material transaction with a shareholder or any of its associated companies other than on an arm’s length basis, other than in the normal course of business and on an arm’s length basis the borrowing of material amounts, the giving of any material guarantee and/ or indemnity, making of any material loan or advance to any person and payment of any dividend or other distribution on account of shares in its capital other than in the ordinary course of business
  - Information rights for material restructurings but no veto right
  - Information rights include annual, half year and if available quarterly accounts
  - Freely transferrable
  - Customary adjustments for anti dilution

Option 2: Summary of Key Terms cont'd

KAUPTHING BANK

- Contingent Value Right and Escrow Agreement:
  - Value gap from transfer of assets of ISK 38bn (and in no case above this amount save for accrued interests and currency fluctuations)
  - Ring-fencing of top 40 loans of New Kaupthing. Excess return above a customary return on the asset will be split between New Kaupthing and the Bank as follows:
    a) 80% of upside to the Bank until initial value gap of ISK 38bn is recovered and 20% to New Kaupthing
    b) for the next ISK 10bn beyond recovery of initial value gap in transfer a 50% / 50% split between the parties
  - This arrangement is further discussed on the next slide
  - The value gap is divided into 50% ISK denomination and 50% EUR denomination as at FX rate of the transfer date. The ISK debt will entitle New Kaupthing to interest payments of 15bps above the weighted deposit rate of the Bank of on demands and 1 year and 2 year deposits. The EUR debt will entitle New Kaupthing to interests of 1 month EURIBOR +175bps
  - Quarterly updates of value of escrow assets with the Bank to ensure sufficient value in the escrow account. Annual update of ring-fenced assets. In case of realized upside the EUR denominated part of the value gap is reduced before the ISK denominated part
  - Term of agreement: until 30 June 2012
  - Monitoring: Representative of the Bank in credit committee meetings for ring-fenced assets. The representative has proposal rights but no veto rights. Material decisions can be transferred to an arbitrator
  - Security: first ranking, but also priority given signing by ResCom during Moratorium Period
- Set off agreement as in Option 1.

Option 2: Size of Asset Pool in CVR

KAUPTHING BANK

- 40 large corporate loans include majority of the assets representing 54% of assets transferred and 67% of loan portfolio (even higher on gross basis).

New Kaupthing Balance Sheet

ISKbn	22-Oct-08
Cash and cash balances	5
Loans to credit institutions	35
Loans to customers	327
Financial assets	12
Associates and subsidiaries	8
Other assets	20
Total Assets Transferred	407
Government backed securities	71
Compensation instrument	38
Total Assets	**518**
Deposits from credit institutions	52
Deposits from customers	391
Other liabilites	2
Total equity	72
Total Equity and Liabilities	**518**

Loans to Customers

ISK Bn		% of loan book	% of assets transferred
Top 40 corporate loans	222	67%	54%
SME	65	20%	16%
Retail	42	13%	10%
Loans to customers (excl. FX)	329	100%	80%
FX impact	(2)	n.m.	0%
Total loans to customers	**327**	**n.m.**	**80%**

Creditors' Consultation

KAUPTHING BANK

- The ResCom has communicated extensively with creditors from the outset:
  - Establishment of ICC and sub-ICC
  - Creditors' Meetings
  - Public Information Package and updated monthly Creditors' Reports
- The ICC, which was established to have a set up for creditors to provide direct feedback to the ResCom, is composed of representatives of the Bank's largest creditors and includes a broad cross section of financial institutions.
- The ICC was kept closely informed regarding the process of the due diligence and the negotiation process regarding Capitalization Agreement on New Kaupthing; meetings, conference calls, e-mails updates.
- Members of the ICC received and submitted helpful comments throughout the process.
- Sub-ICC was appointed at the request and by the ICC:
  - Sub-ICC sat at the negotiation table and was greatly involved in the formal negotiation process
  - Its direct involvement and contribution was important and helpful for the ResCom
  - Sub-ICC provided creditors with venue for their views during the negotiation process
- The sub-ICC members are:
  - Bingham McCutchen LLP representing bondholders
  - Two banks representing group of financial institutions
- The ResCom would like to give creditors the opportunity to state their views and send further feedback to creditorcontact@kaupthing.com.

Creditors’ Due Diligence

KAUPTHING BANK

- The agreements signed by the ResCom and the Government allow for a process which gives creditors and selected advisors the opportunity to review information regarding New Kaupthing and to provide feedback on the negotiated structures.
- The ResCom insisted that the Bank and its advisors would need to have sufficient time to review relevant information and perform their own due diligence.
- Two independent financial advisors have been appointed by many of the largest creditors of the Bank.
  - Deutsche Bank AG Advisory appointed by a group of financial institutions, including the majority of the German lenders’ group and some of the largest creditors of the Bank
  - Houlihan Lokey appointed by some of the Bank's largest bondholders
- These groups received special permission from the FME to conduct a more thorough due diligence review on New Kaupthing and were granted access to detailed non-public customer information on a name by name basis.
  - Extensive information in an online data room
  - Several meetings with the management of New Kaupthing
  - Access to Morgan Stanley, the Bank’s financial advisor, and its working papers
- Private creditors, i.e. those who have signed the relevant confidentiality agreements, were granted the following:
  - Access to a data room as mutually decided between the parties
  - Full access to the Deloitte LLP Net Asset Valuation Report Part 1, subject to the creditors and their advisors signing a standard hold harmless letters and confidentiality agreements for access to the report
  - Restricted access to New Kaupthing’s management as mutually decided between the parties
- Public creditors have access to the material on the Bank’s website and to a public online data room, which contains presentation on New Kaupthing.

Due Diligence, Summary and Comparison of Options

Due Diligence Summary

KAUPTHING BANK

- Due diligence carried out by the Bank and its advisors on behalf of the Bank:
  - reliance on information as provided by New Kaupthing management in data room and discussions
  - review of reports prepared by Deloitte and Oliver Wyman including discussions
  - various advisors involved for ResCom including financial, accounting, tax, legal, IT and real estate

- Due diligence commenced on 4 June 2009 and is ongoing as audit of financials is not completed and updated business plan has now been made available.

- Due diligence to date has focused on:
  - balance sheet analysis / net asset valuation of New Kaupthing
  - detailed analysis of the business plan
  - liquidity risk
  - profit improvement measures

- Given the relative size, the initial focus had been on the large loan portfolio, but all balance sheet items were reviewed.

Valuation Summary

- Management accounts of New Kaupthing made the basis for valuation and negotiation by Government with effect that no direct compensation of creditors is offered (Zero capitalization principle).

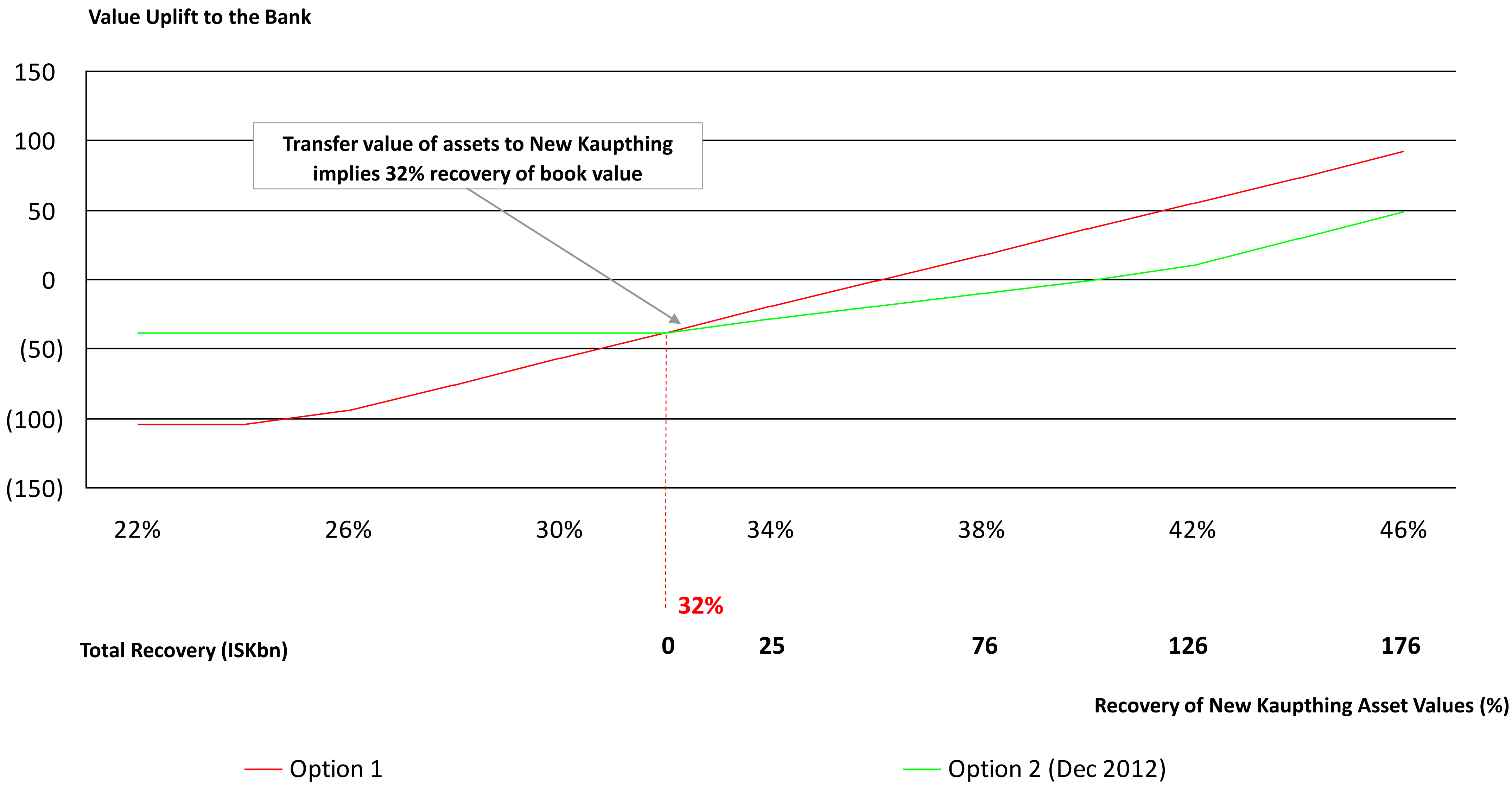
- Presented shortfall by management at beginning of negotiations of ISK 86bn.
  - delta of ISK 258bn from initial published surplus by FME of ISK 172bn
  - triggers include audit of correct implementation of transfer decision by PwC and detailed valuation by New Kaupthing management of its asset portfolio

- Agreed shortfall at end of negotiations of ISK 38bn (value increase of ISK 48bn).
  - increase driven by factual corrections and challenging of assumptions

- Further upside to be captured through agreements (*Option 1*: ownership; *Option 2*: Contingent Value Right and Equity Option).

Returns Profile: Option 1 vs. Option 2

KAUPTHING BANK



Note: The potential differences through ownership and restructuring effort implemented have not been reflected in this illustration. Assumes 15% preferred Government return.

Pros and Cons: Option 1 vs. Option 2

KAUPTHING BANK

	Option 1	Option 2
Pros	▪ The Bank receives upside through respective shareholding in New Kaupthing (dividends, exit through sale/ IPO of New Kaupthing) including any revaluation of the transferred assets. ▪ Profit improvement measures can be defined and implemented. ▪ Better control and incentivization of New Kaupthing and management allows potential for accelerated restructuring and more commercial focus.	▪ Upside participation on asset level through CVR after agreed return on defined asset pool. ▪ Further upside participation through Equity Option on 90% of Government shares. ▪ Government as shareholder is likely first source for providing additional capital. ▪ Asset valuation downside limited to ISK 38bn plus interest and currency fluctuations through contribution of assets into escrow.
Cons	▪ More assets at risk (claim of ISK 38bn by New Kaupthing + capitalization assets of ISK 66bn). ▪ Risks include prolonged recession with negative impact on asset values and liquidity possibly resulting in further capital/liquidity need. – However, liquidity risk partially mitigated by ISK 75bn Government liquidity line	▪ No direct control of New Kaupthing. ▪ Given Government ownership, potential reluctance to push through cost optimization and synergies. ▪ Restrictions in incentivization under Government ownership.

KAUPTHING BANK

Next Steps and Overall Restructuring

Legal Overview

Legal Overview

KAUPTHING BANK

- First moratorium granted from 24 November 2008 until 13 February 2009.
- According to the Icelandic legislation, the moratorium can be granted for up to 24 months.
- An extension granted from 13 February 2009 until 13 November 2009. Another extension of 9 months will be requested on 13 November 2009.
- The moratorium can be concluded in the following ways:
  - Winding-up process pursuant to Act no. 44/2009
  - Composition of creditors (Scheme of arrangement)
  - Insolvent liquidation

Winding-up Proceedings / Moratorium - Timeline of Events

KAUPTHING BANK

24 Nov 08 | 5 Feb 09 | 13 Feb 09 | 20 Apr 09 | 25 May 09 | 20 Oct 09

24 November 2008 First moratorium granted for three months.

Moratorium can be extended for up to 24 months, never longer than 9 months at a time.

5 February 2009 Creditors' Meeting convened in Reykjavik by the Moratorium Supervisor.

13 February 2009 Extension of moratorium granted until 13 November 2009.

20 April 2009 New legislation on winding-up.

25 May 2009 The Winding-up Committee appointed by the District Court of Reykjavik.

20 October 2009 Creditors' Meeting held to discuss the agreements on New Kaupthing, key events and possible extension of moratorium on debt payments.

Winding-Up Proceedings / Moratorium

- Under the current Act on Financial Undertakings, Chapter IV of the Bankruptcy Act (the legal effects of financial re-organization) no longer applies to the moratorium.
  - Chapter IV replaced by the rules concerning working practices of liquidators as provided for in the Bankruptcy Act
  - Moratorium Supervisor continues to supervise and monitor the work of the ResCom
  - All the principal rules of the winding-up proceedings in the Act apply to the Bank whether the moratorium is in effect or not
  - If the moratorium is not extended, the Bank will automatically go into a formal winding-up process which is in essence the same process as the Bank is currently under

- The Winding-up proceedings can conclude in different ways:
  - Composition of creditors (Scheme of arrangement)
  - Insolvent liquidation (Bankruptcy proceedings)

Winding-Up Proceedings/Moratorium – Timeline of Future Events

KAUPTHING BANK

13 Nov 09 | **30 Dec 09** | **29 Jan 10** | **Autumn 2010 and going forward**

13 November 2009
Nine months extension of moratorium to be requested.

30 December 2009
Deadline to file claims.

29 January 2010
Creditors' Meeting convened by the Winding-up Committee. Decision of ranking, number and value of claims **will not** be introduced.

Autumn 2010
Creditors' Meeting to be convened by the Winding-up Committee. Decision of ranking, number and value of claims to be introduced.

Autumn 2010
The formal process for composition of creditors.

The organization and preparation of composition of creditors will take place during this period.

Claims under dispute to be resolved.

Winding-Up Proceedings/Moratorium

KAUPTHING BANK

- The decision of ranking, number and value of claims will not be completed by the Creditors' Meeting held in January 2010.
- Excluding outstanding claims under dispute, the decision of ranking, number and value of claims should be completed by a creditors' meeting to be held in the autumn 2010.
  - Claims under dispute to be resolved at a later point in time depending on various factors
- No payments (partial or in full) can be made, and the formal process of agreeing for a composition of creditors cannot begin, until after the Winding-up Committee has concluded decision of all claims submitted and introduced such results to creditors.
- The Winding-up Committee can propose a composition of creditors and/or make partial payments even though all disputed claims have not been settled provided that assets are set aside that enable the payments of claims under dispute.
- Following the meeting where the Winding-up Committee introduces the ranking, number and value of claims recognized, it is authorized to make payments to creditors subject to the following conditions:
  - Only recognized claims may be paid
  - The Bank's assets must be sufficient to pay equally ranked creditors an equal proportion of their outstanding claims
  - Assets must be set aside to enable the payments of claims under dispute
- Individual creditors may be paid in advance if they offer to waive their claims in return for partial payment, provided that it definitely comprises a lower amount than would be disbursed to the claim at a later stage given its ranking.

Composition of Creditors

- The ResCom and the Moratorium Supervisor are working towards a solution whereby the restructuring of the Bank will be completed by a composition of creditors. This is being done by finalizing the composition of creditors as soon as possible given the Icelandic legal framework.
- If a composition of creditors cannot be reached the Bank must enter into insolvent proceedings.
- A composition agreement may provide for:
  - total relinquishment of debts
  - proportional relinquishment
  - deferred dates of payment
  - changes in form of payment
  - or all of these arrangements jointly

- Among claims that the composition does not affect are the following:
  - claims originating after the issuance of a license to seek composition
  - claims for performance other than payment of money
  - priority claims subject to Articles 109, 110 and 110 of the Bankruptcy Act
  - claims secured upon the debtor’s assets, to the extent the value of the relevant asset covers the claim
  - claims that could have been settled by set-off had the debtor been declared bankrupt
  - claims under the terms of the composition agreement by reason of their full payment

Conclusion of the Composition of Creditors:

- The Winding-up Committee will convene a Creditor's Meeting to vote on a proposed composition of creditors at a time it deems appropriate.
- Only creditors who filed their claims with the Winding-up Committee have the right to vote on the Composition Agreement.
- If a composition proposal is supported by the same proportion of votes as the proportion of composition claims to be relinquished (provided this reaches 60 per cent at a minimum by vote and amount) it will be deemed approved.
  - If the result of the vote can be decided by a creditor with a disputed claim then the result of the vote is postponed until the dispute has been solved before the relevant Court of law
- Vote of 60% of creditors (by vote and amount) is needed for any relinquishment. If the plan calls for further relinquishment the corresponding percentage of creditors must vote in the favour of it.
- The District Court must confirm an approved composition of creditors.
  - Must be obtained within a week from final approval of creditors
  - Becomes binding upon confirmation of the District Court
- If an agreement to organize a composition of creditors is not reached, the Bank will enter into an insolvent procedure.

Overall Restructuring

Restructuring Work Streams

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Asset Assessment	Business Plan	Capital Structure and Legal Target Structure	Claims Registration / Liabilities Writedown
■ Information collection ■ Asset assessment and performance to date ■ Recovery potential ■ Strategy definition	■ Develop P&L and cash flow forecasts ■ Documentation of key assumptions and drivers ■ Stress testing ■ Strategy	■ Legal restructuring alternatives ■ Propose adequate target capital structure ■ Develop instruments ■ Develop implementation plan	■ Registration of claims ■ Assessment of size ■ Assessment of rankings ■ Litigation and impact ■ Creditor groups and targets

Indicative Phase 2 Timetable

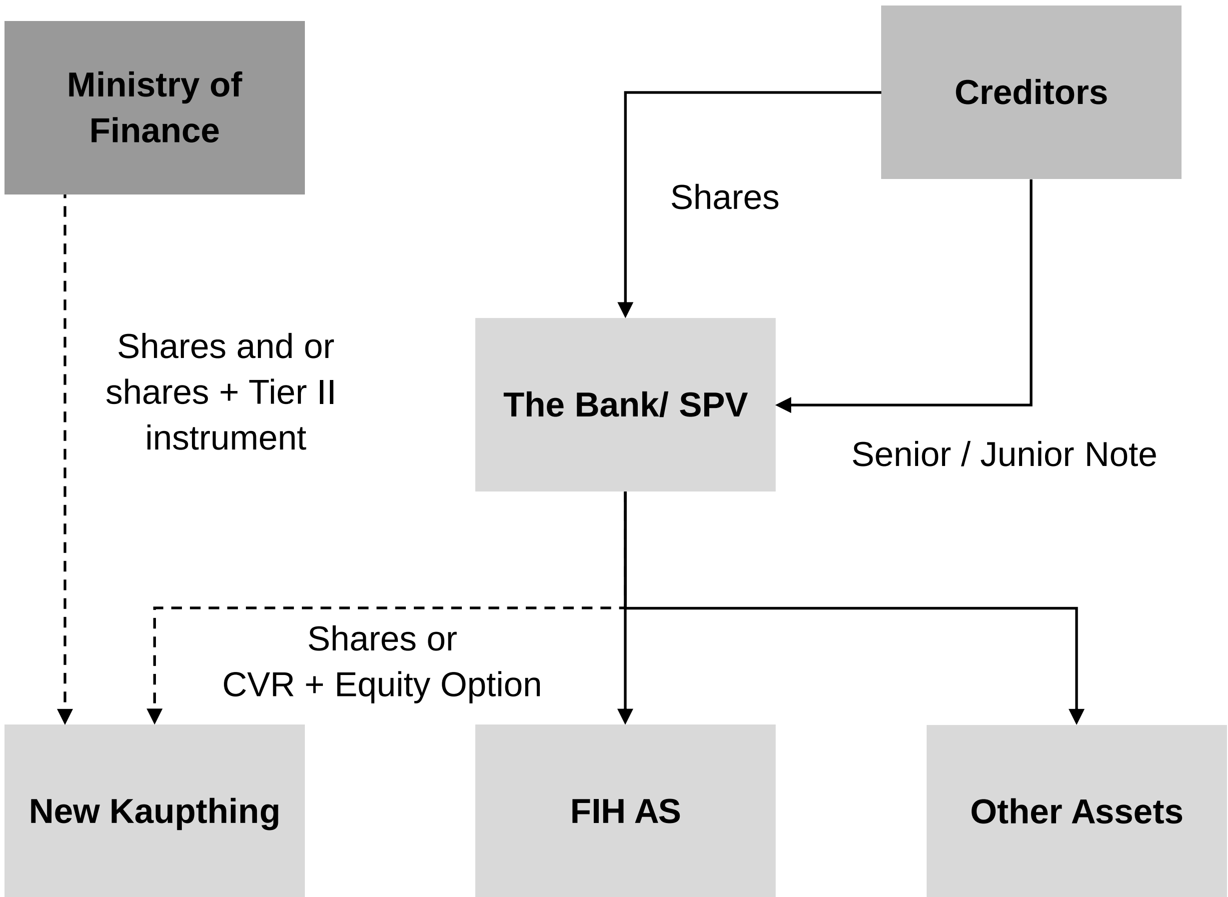
KAUPTHING BANK

Asset Assessment **Business Plan**	■ Summary report until end of 2009
Capital Structure and Legal Target Structure	■ Preliminary views in Q1 2010, but depending on registration / liabilities process / disputes
Claims Registration / Liabilities Write-down	■ Winding-up Committee

Target Structure for the Bank

KAUPTHING BANK

- Parent company: The Bank after scheme of arrangement or new SPV as ongoing vehicle for asset management.
- Value realization for creditors through convergence of claims into cash distribution and issuance of instruments.
- Strategy focused on value maximization through cash collection, separate monetization of holdings and work out of other assets.



Current Legal Paths for Restructuring

Current		Target	Key Considerations
Moratorium or Winding up → Restructuring Plan / Scheme	No Vote	**Winding-up**	■ No change to current status ■ No control by creditors over vehicle ■ Future payment of claims after registration feasible (does not require restructuring of claims for pay outs (no conversion of instruments)) ■ No time limit – ability to maximize asset values
	Vote For	**Successful scheme leading to restructured vehicle**	■ Gives creditors control over assets ■ Creates ongoing vehicle ■ No time limit - ensures maximum flexibility for value maximization ■ Target structure depending on on-going requirements
	Vote Against	**Unsuccessful scheme leading to liquidation**	■ (Immediate) liquidation – unlikely value maximising ■ Process driven by liquidator
		Liquidation (per court order or creditor request)	■ (Immediate) liquidation – unlikely value maximising ■ Process driven by liquidator

Overview of Liabilities and Ranking in Corporation / Winding-Up

KAUPTHING BANK

- The exact amount of liabilities will only be known after completion of the registration process (and ongoing litigation).

Ranking	Liabilities	Treatment
Priority Claims	Pledges (above / below related liability?) Set-off / netting Administration costs of moratorium Deposits	100% Payment
Senior Liabilities	Borrowings (bonds, bills, money market , etc.) Credit institutions Derivatives Other	Writedown
Subordinated Liabilities	Subordinated includes loans + accrued interests Loans largely consist of 144A placements and EMTN program	Cancellation

Liability Restructuring

KAUPTHING BANK

Current Structure		New Target Structure after Restructuring	Objectives
Senior Liabilities after Pledges	**Restructuring Proposal / Scheme**	**Equity**	■ Achieve required support from creditors for scheme ■ Give control to creditors ■ Simplify capital structure ■ Sustainable indebtedness of SPV / the Bank ■ Instruments in SPV / the Bank to remain tradable ■ Claim notes for certain potential value items ■ Matching of instruments to FX denomination of assets
		Debt Instruments ■ Junior Debt / Convertibles ■ Senior Debt ■ Certificates for certain claims	
		Cash Payment	
Subordinated Liabilities		**Cancellation**	

Illustrative Table of Content for Restructuring Proposal

KAUPTHING BANK

A. Executive Summary

B. Background and Steps to date

C. Restructuring Plan Overview (Legal Paths / Structure / Options for Creditors)

D. Analysis of Assets of Kaupthing / Upside and Strategy

E. Business Plan for SPV

- P&L
- Cash Flow

F. Description of Target Instruments / Options

G. Ranking of Existing Instruments and Options for Conversion

H. Timeplan

Appendix

1. Future Corporate Governance and Management of SPV

Appendix

Exchange Rates

KAUPTHING BANK

Currency	30 June 2009	31 December 2008
CAD	109,9069	98,716
CHF	117,4831	113,8163
DKK	24,0425	22,7274
EUR	179,0383	169,2733
GBP	210,0403	176,4826
HKD	16,478	15,6299
JPY	1,3235	1,336
NOK	19,8358	17,3906
SEK	16,5203	15,4411
USD	127,5565	121,0955

Financial Information Update

Statement of Compliance

KAUPTHING BANK

- The financial information on the following slides and with notes in this presentation's appendix as at 30 June 2009 and 31 December 2008 is a summary of financial information previously published in the Bank's Creditors' Report and available on the Bank's website.
- The valuation of assets and liabilities as at 30 June 2009 and 31 December 2008 was prepared by the ResCom for the Bank, the parent company. The information herein is neither audited nor reviewed by independent auditors but were prepared with assistance from PricewaterhouseCoopers hf. in Iceland.
- The ResCom emphasizes that the valuation herein is a historic valuation only. No attempts were made at this time to assess the possible future value of assets, nor to estimate likely recovery of creditors' claims.
- The valuation of assets and liabilities does not take fully into account the impact of set-off. Further information on set-off can be found in the Appendix.
- A formal process for the creditors of the Bank to file claims against the Bank began on 30 June 2009 and will end on 30 December 2009. Until all claims have been filed, the real and accurate amount of liabilities and priority claims is uncertain. In accordance with Act no. 44/2009, all liabilities are fixed as at 22 April 2009.
- Due to uncertainty in valuation of underlying collateral, potential deficiency claims resulting from insufficient collateral in secured funding agreements has not been accounted for herein.
- Readers' attention is drawn to the terms of the disclaimer at the beginning and the end of this presentation, and valuation methodology on the following slides.

Valuation Methodology Applied in the Statement of Assets & Liabilities

KAUPTHING BANK

The valuation methodology for each asset class is abbreviated below:

- **Cash in hand** - The balance of all cash accounts as at 30 June 2009 without any discount.
- **Loans to credit institutions** - Is valued at amortized cost. Estimated credit risk of the counterparty has been taken into account in provisions for losses.
- **Loans to customers** - Loans to customers are valued at fair value. The fair value is based on market transactions where possible or recognized valuation techniques.

  The values assigned reflect the market fluctuations in general by taking into account various loan indices with appropriate discounts for the Kaupthing portfolio due to lack of liquidity and the small-scale size of these exposures.

  The valuation only takes into account the current strategy of the ResCom, to safeguard and increase the value of the Bank's loans to customers portfolio achieved to 30 June 2009 and not thereafter.
- **Bonds and debt instruments** - Listed: the market value as at 30 June 2009.

  Unlisted: similar valuation methodology was applied to this category as in 'Loans to customers at fair value‵.
- **Shares and instruments with variable income -** Listed: the market value as at 30 June 2009 Unlisted: similar valuation methodology was applied to this category as in 'Loans to customers at fair value‵.
- **Investments in subsidiaries -** The book value of subsidiaries is an estimated fair value as at 30 June 2009.
- **Borrowings** - The book value of borrowings is at notional amount and accrued interests at 22 April 2009. Interests accruing after this date are included with subordinated liabilities.

Valuation Methodology cont'd

- **Derivatives and unpaid derivatives** - The calculated amount of derivative assets and liabilities before provisions is based on the Bank's own valuations, which may differ from the final settlement amounts. When determining the value of more complex derivatives and structured products, the Bank is using the services of a leading independent company which specializes in derivative valuations and risk management services. Derivative assets and liabilities with the same legal entity are netted.

  Default valuation rules under the ISDA framework generally favour the non-defaulting counterparty which may result in adverse effect on the value of the derivatives assets and liabilities. Once ISDA derivative contracts have been terminated the non-defaulting counterparty must determine the net amounts owed by or to the defaulting counterparty. Close out notices providing details of such calculations enable the Bank to reconcile amounts. In some cases, either no close out statement has been received or has been inadequately detailed. Some provisions were made to the Bank's valuation of ISDA derivatives to account for potential disputes in valuation. For Non-ISDA counterparties, a significant valuation adjustment was made on derivative assets to account for credit, liquidity and collateral risk associated with each counterparty.

  The Bank's calculations on foreign exchange derivative contracts, where ISK is one of the currencies, are based on the official exchange rate of the Icelandic Central Bank (ICB). Several counterparties have disagreed with the Bank's valuation, claiming that a different FX rate should be used, such as the exchange rate published by the European Central Bank (ECB). The Bank has firmly rejected to use any other exchange rate in such circumstances as this is explicitly provided for in Act no. 36/2001 on the ICB. It is clear that in many cases there will be disputes and in most incidents the policy is to let the courts decide. It will therefore not be possible to settle these cases until these disputes have been settled and the amounts involved depend greatly on the outcome of such cases.

The Bank's Balance Sheet

KAUPTHING BANK

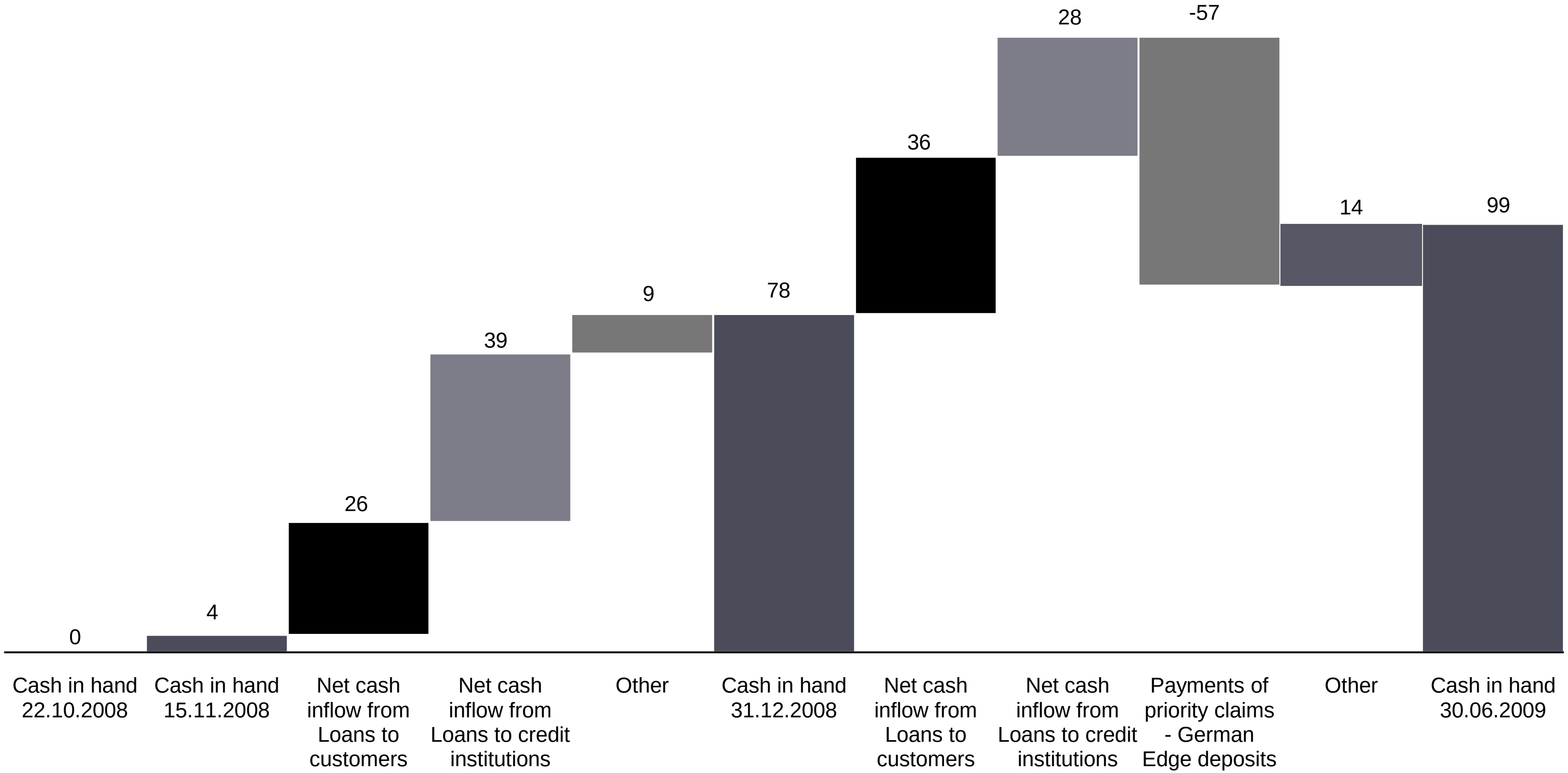
The table below presents the Bank's balance sheet as at 30 June 2009 and 31 December 2008.

All amounts in ISKm	Notes	30.06.2009	31.12.2008
Cash in hand	1	98.799	77.963
Loans to credit institutions	2-3	442.923	522.714
Loans to customers	4-8	439.521	337.023
Bonds and debt instruments	9-10	119.064	115.931
Shares and instruments with variable income	11-12	214.600	161.851
Derivatives and unpaid derivatives	13-14	246.073	233.862
Investments in subsidiaries	15	135.562	129.464
Other assets	16	9.102	13.361
Total assets	**1-16**	**1.705.644**	**1.592.169**
Due to credit institutions	17	151.808	173.892
Deposits	18	2.140	54.775
Derivatives and unpaid derivatives	19-20	136.296	138.751
Borrowings	21	3.237.006	3.091.636
Liability to New Kaupthing Bank hf. in return of assets and	22	43.335	41.027
Other liabilities	23	108.302	125.177
Total senior liabilities	**17-23**	**3.678.887**	**3.625.258**
Subordinated loans		422.624	400.677
Interest expenses from 22.4.2009-30.6.2009		27.804	
Total subordinated liabilities		**450.428**	**400.677**
Share capital		7.270	7.270
Share premium		136.471	136.471
Retained earnings		(2.567.412)	(2.577.507)
Total equity		**(2.423.671)**	**(2.433.766)**
Total liabilities and equity		**1.705.644**	**1.592.169**

All amounts in ISKm. FX conversion table can be found in the Appendix.

Note 1: Cash in Hand

KAUPTHING BANK



- According to FME's transfer decision from 21 October 2008, all cash balances were transferred to New Kaupthing, resulting in the Bank's cash balances being wiped out at that date.
- The development in Cash at hand is displayed above. Cash in hand amounted to ISK 99bn as at 30 June 2009.
- The cash reserve is currently yielding interests which are in line with the low interests environment in the market.

All amounts in ISKbn

Note 2-3: Loans to Credit Institutions

KAUPTHING BANK

Loans to credit institutions by types of loans

All amounts in ISKm	Unpledged	Pledged	30.06.2009 Total	31.12.2008 Total
Bank accounts	21.334	281.785	303.119	354.775
Overdrafts	12	-	12	12
Subordinated loans to subsidiaries	17.911	118.239	136.150	133.528
Loans at fair value	-	-	-	29.578
Other loans	9.950	-	9.950	13.647
Provision for losses	(6.308)	-	(6.308)	(8.826)
Loans to credit institutions	**42.899**	**400.024**	**442.923**	**522.714**

Loans to credit institutions by counterparties

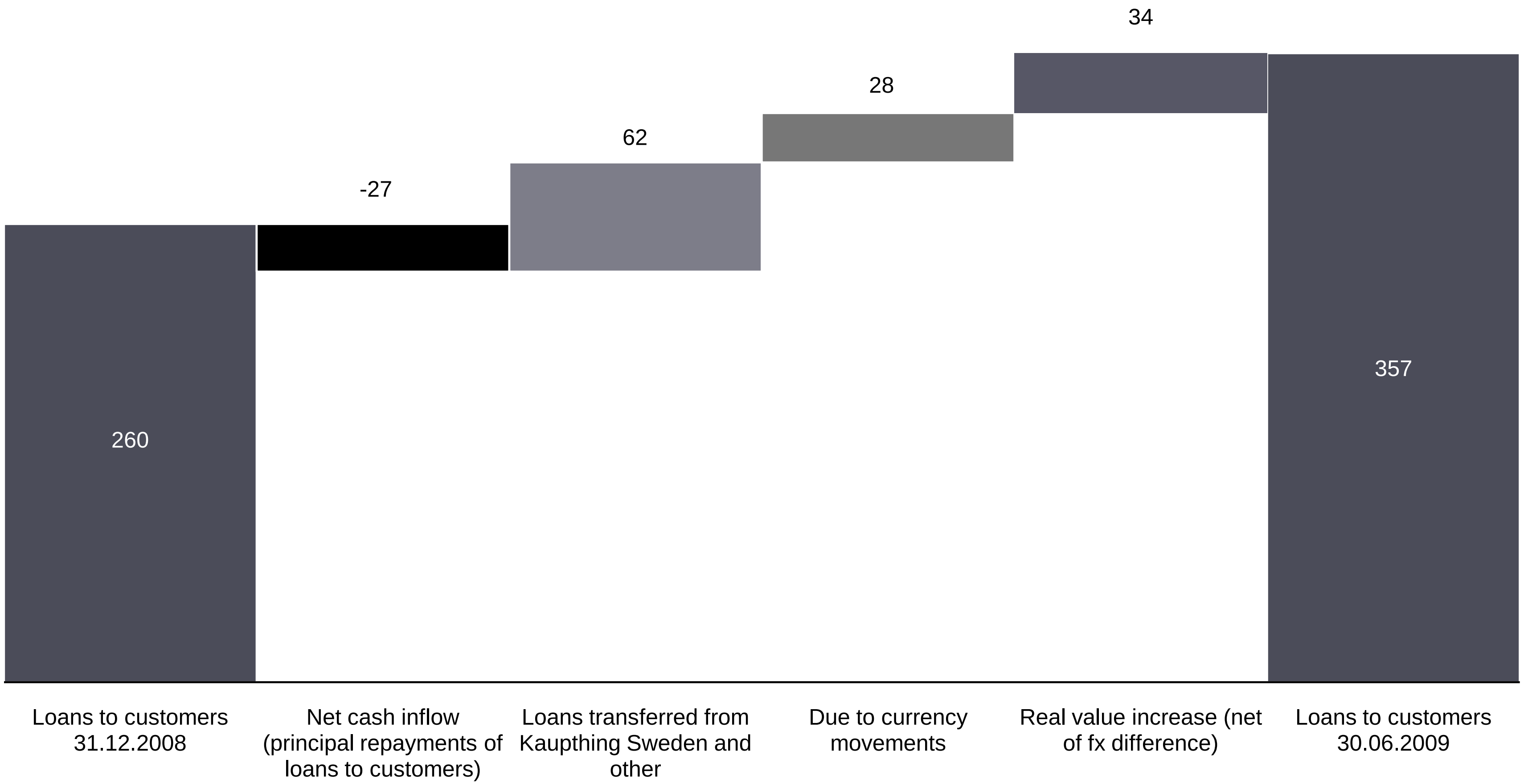
All amounts in ISKm	Unpledged	Pledged	30.06.2009 Total	31.12.2008 Total
Domestic	1.117	696	1.813	2.135
Foreign	23.360	252.266	275.626	308.675
Subsidiaries and subsidiaries taken into administration	18.422	147.062	165.484	211.904
Loans to credit institutions	**42.899**	**400.024**	**442.923**	**522.714**

- Loans to credit institutions amounted to ISK 443bn as at 30 June 2009.
- All unpledged bank accounts are currently frozen. The Bank is currently attempting to retrieve these bank accounts. The pledged bank accounts represent collateral posted under derivative trades and repurchase agreements.
- In a report dated 15 November 2008 loans from and to credit institutions where netted in 'Loans to credit institutions'. At 31 December 2008 ISK 173.892m are reclassified to 'Due to credit institutions‘.
- Loans at fair value loans to credit institutions at 31 December 2008 are subordinated claims against Kaupthing Sverige AB. Following the sale of Kaupthing Bank Sverige on 14 February 2009, an agreement was reached in which Kaupthing bank Sverige AB were to transfer a portfolio of loans, with nominal value of SEK 4,5bn, to the Bank to meet the claims. Estimated fair value of the underlying loan portfolio was ISK 29.578m at 31 December 2008. This loan portfolio is included in loans to customers at fair value 30 June 2009.

All amounts in ISKm

Notes 4-8 Loans to Customers – Development at Fair Value

KAUPTHING BANK



- The developments in Loans to customers in H1 2009 are displayed above.
  - Loans to customers at fair value was ISK 260bn at 31 December 2008
  - Loans to customers at fair value was ISK 357bn at 30 June 2009
  - Net cash inflow and real value increase amount to ISK 61bn

All amounts in ISKbn

Notes 4-8: Loans to Customers

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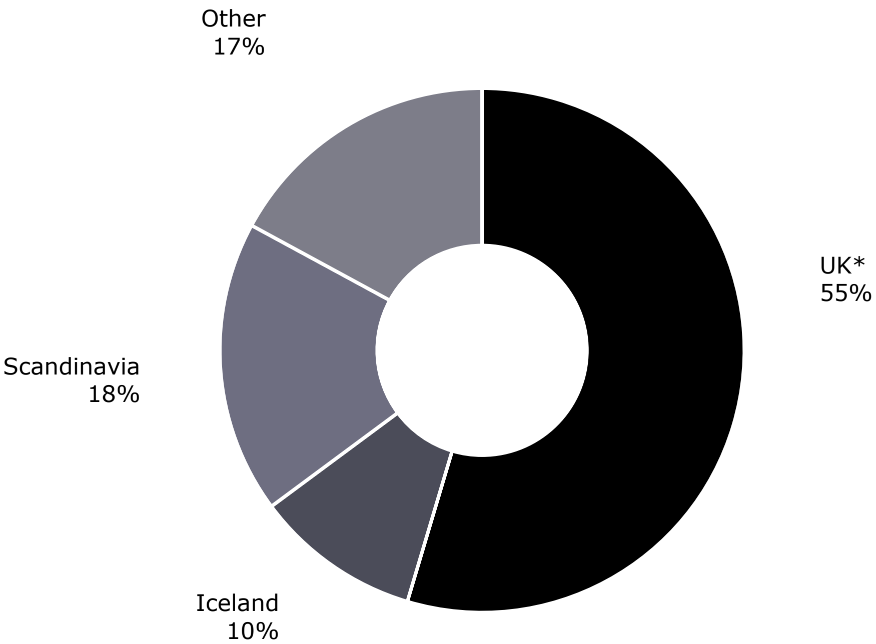
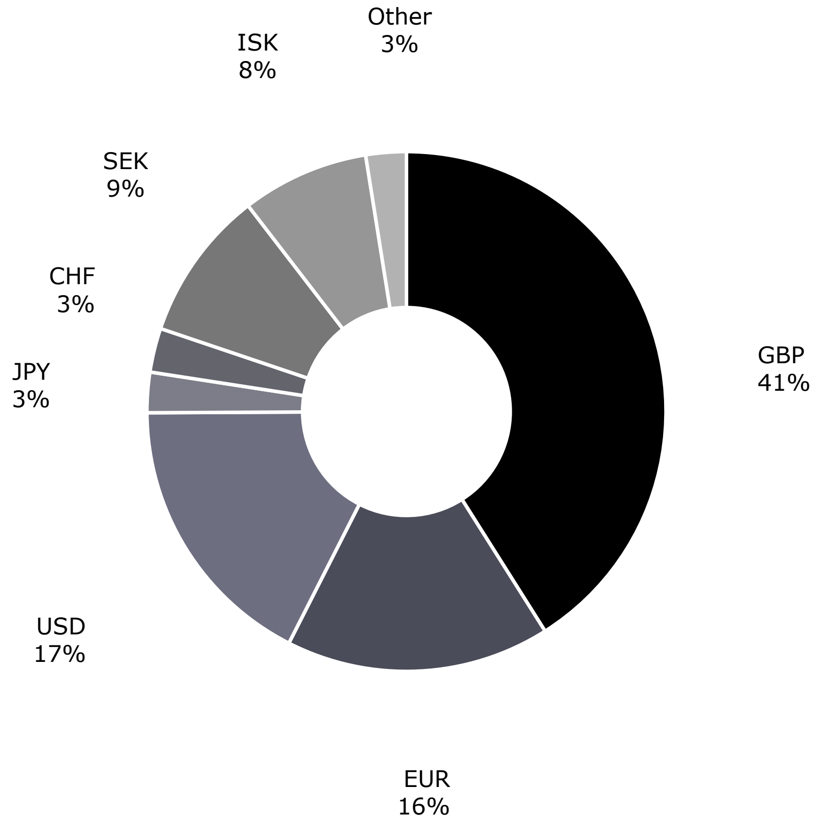
Loans to customers by geography



Loans to customers by currency



- Loans to customers amounted to ISK 1.364bn as at 30 June 2009 at nominal value, i.e. before any impairment adjustments and ISK 439.521m at fair value.

* UK includes UK Overseas Territories and Crown Dependencies

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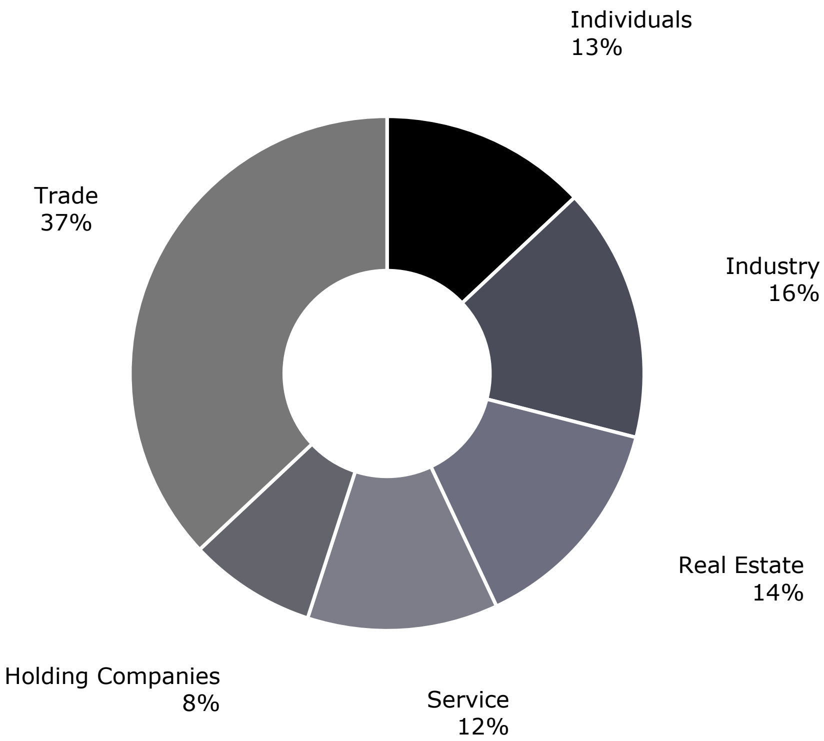
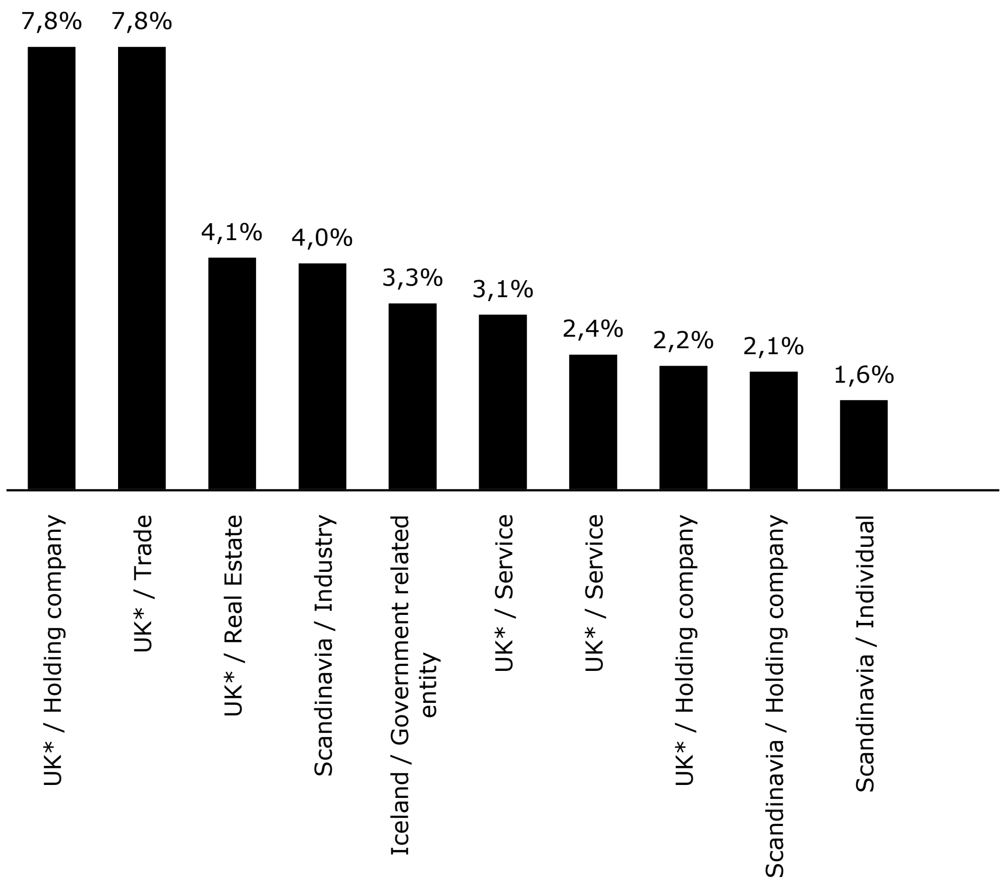
Loans to customers at nominal value 30 June 2009

Loans to customer by sector



10 largest loans to customers at fair value % of loans to customers



*UK includes UK Overseas Territories and Crown Dependencies

Notes 9-10: Bonds and Debt Instruments

KAUPTHING BANK

All amounts in ISKm	Unpledged	Pledged	30.6.2009 Total	31.12.2008 Total
Listed	9.855	87.043	96.898	94.441
Unlisted	2.489	19.677	22.166	21.490
Bonds and debt instruments	**12.344**	**106.720**	**119.064**	**115.931**

Bonds and debt instruments by issuer

All amounts in ISKm	Unpledged	Pledged	30.6.2009 Total	31.12.2008 Total
Financial institutions	-	43.765	43.765	41.428
Housing Financing Fund	5.441	40.705	46.146	45.807
Government	4.414	20.273	24.687	24.682
Corporates	2.489	1.977	4.466	4.014
Bonds and debt instruments	**12.344**	**106.720**	**119.064**	**115.931**

- Bonds and debt instruments amounted to ISK 119bn as at 30 June 2009.
- ISK 106bn (accounting for 90% of the Bank's bond portfolio) represented collateral pledged on various borrowings, mainly repurchase agreements.

All amounts in ISKm

Notes 11-12: Shares and Instruments with Variable Income

KAUPTHING BANK

All amounts in ISKm	Unpledged	Pledged	30.06.2009 Total	31.12.2008 Total
Listed	20.095	179.524	199.619	153.274
Unlisted	14.960	21	14.981	8.577
Shares and instruments with variable income	**35.055**	**179.545**	**214.600**	**161.851**

10 largest positions:	Unpledged	Pledged	30.06.2009 Total	31.12.2008 Total
Trade / UK	-	51.246	51.246	45.191
Service / UK	-	48.489	48.489	26.285
Financial / Scandinavia	-	30.462	30.462	28.351
Financial / Scandinavia	14.640	12.080	26.720	21.364
Industry / UK	-	23.470	23.470	15.403
Service / Scandinavia	-	7.486	7.486	7.486
Industry / Iceland	-	6.174	6.174	6.174
Industry / Netherlands	4.130	-	4.130	2.015
Financial / Canada	3.939	-	3.939	3.047
Industry / UK	3.427	-	3.427	1.184
10 largest positions total	**26.136**	**179.407**	**205.543**	**156.500**

- Shares and instruments with variable income amounted to ISK 215bn as at 30 June 2009.
- ISK 180bn (accounting for 84% of the Bank's equity portfolio) represented collateral pledged on various borrowings, mainly repurchase agreements.
- All investments in associates other than Storebrand AS were transferred to New Kaupthing or impaired in the year 2008.
- The Bank held approx. 20% stake in Storebrand AS prior to the collapse. Half of the Bank's holdings, i.e. 10% stake, was sold within the year in a forced sale, but the remaining 10% which was classified in 'Investments in associates' in the last published financial information as at 15 November was transferred to 'Shares and instruments with variable income'. Of the remaining stake, 4,5% stake in Storebrand AS is currently pledged.

All amounts in ISKm

Notes 13-14: Derivatives and Unpaid Derivatives - Assets

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All amounts in ISKm	Gross fair value	Provisions	30.06.2009 Net fair value	31.12.2008 Net fair value
Derivatives	41.972	(17.555)	24.417	43.098
Unpaid derivatives*	381.012	(159.356)	221.656	190.764
Derivatives and unpaid derivatives	**422.984**	**(176.911)**	**246.073**	**233.862**
Collateral received from counterparties	(143.517)	-	(143.517)	(137.236)
Net derivatives and unpaid derivatives	**279.467**	**-176.911**	**102.556**	**96.626**

Derivatives and unpaid derivatives by type

All amounts in ISKm	Gross fair value	Provisions	30.06.2009 Net fair value	31.12.2008 Net fair value
Open FX Trades, Asset Swaps & Interest Rate Swaps	39.990	(16.726)	23.264	42.651
Open Caps, Floors, Barriers	1.982	(829)	1.153	447
Unpaid FX Trades, Asset Swaps, Interest Rate Swaps & FX Options	378.713	(158.393)	220.320	189.493
Unpaid Credit Derivatives*	(4.860)	2.032	(2.828)	(2.693)
Unpaid Equity Options*	6.254	(2.616)	3.638	3.463
Unpaid Caps, Floors, Barriers*	905	(379)	526	501
Derivatives and unpaid derivatives	**422.984**	**(176.911)**	**246.073**	**233.862**
Collateral received from counterparties	(143.517)	-	(143.517)	(137.236)
Net derivatives and unpaid derivatives	**279.467**	**(176.911)**	**102.556**	**96.626**

- Derivatives on the asset side amounted to ISK 103bn at net fair value as at 30 June 2009.
- Collateral received through CSA from ISDA Financial Institutions counterparties in relation to derivative trades is included in 'Due to Credit Institutions'. Other collateral for non-ISDA counterparties is not included in the balance sheet unless enforcement of the underlying collateral has taken place.

*Matured and terminated trades and unpaid cash flow from open trades

Derivatives

KAUPTHING BANK

- The estimated fair value of derivative assets after provisions is ISK 246.073m.
- This is however, not the final settlement amount the Bank is expecting to receive from counterparties.
- As stated in note 14, the Bank had before the collapse received collateral from counterparties in relation to some derivative trades. This collateral was part of the Bank's own funds and had been re-used, re-invested or moved to New Kaupthing in October.
- Therefore, to estimate the value of the Bank's derivative assets distributable to creditors as at 30.06.2009 the collateral already received which amounts to ISK 143.517m as at 30.06.2009 and ISK 137.236m as at 31.12.2008 needs to be deducted from the Derivatives and unpaid derivatives on the asset side and Due to credit institutions on the liability side.
- Estimated net fair value of derivative assets distributable to creditors is therefore ISK 102.556m as at 30.06.2009 and ISK 96.626m as at 31.12.2008 as stated in note 14.
- Provisions are made post collateral.

Note 15: Investments in Subsidiaries

KAUPTHING BANK

All amounts in ISKm	Functional currency	Owner-ship	Pledged	30.06.2009 Total	31.12.2008 Total
FIH Erhvervsbank, Denmark	DKK	99,9%	91.168	91.168	86.213
Kaupthing Mortgage Institutional Investor Fund, Iceland	ISK	100,0%	18.317	18.317	17.544
Kaupthing Sverige AB, Sweden	SEK	100,0%	-	5.734	5.403
Norvestia Oyj, Finland	EUR	32,7%	-	8.139	7.445
New Bond Street Diversified Credit Fund, UK	EUR	100,0%	-	5.898	5.898
Kirna ehf., Iceland	ISK	100,0%	-	5.375	5.375
Other subsidiaries and foreign branches			-	931	1.586
Subsidiaries	**0**	**5**	**109.485**	**135.562**	**129.464**

- Investments in subsidiaries amounted to ISK 136bn as at 30 June 2009.
- The Bank controls 56.0% of the votes in Norvestia Oyj and the company is thus considered to be a subsidiary of the Bank.
- The book value of subsidiaries is an estimated fair value.
- The equity stake in FIH Erhversbank is shown fully pledged against a EUR 500m (notional value) loan at the Icelandic Central Bank which was granted early in October 2008.

All amounts in ISKm

Note 16: Other assets

KAUPTHING BANK

All amounts in ISKm	30.06.2009	31.12.2008
Accounts receivables	37.887	35.513
Sundry assets	1.233	3.804
Deferred tax assets	1.954	3.466
Accrued income	2.676	2.244
Prepaid expenses	566	779
Impairment on other assets	(35.214)	(32.445)
Other assets	**9.102**	**13.361**

- Other assets amounted to ISK 9bn as at 30 June 2008.
- Unpaid derivatives which was classified as Other assets in the last published financial information as at 15 November has been transferred to Derivatives and unpaid derivatives.

All amounts in ISKm

Note 17: Due to credit institutions

KAUPTHING BANK

All amounts in ISKm	30.06.2009	31.12.2008
Collateral accounts	143.517	137.236
Other	8.291	36.656
Due to credit institutions	**151.808**	**173.892**

- Liabilities in Due to credit institutions amounted to ISK 151bn as at 30 June 2008.

All amounts in ISKm

Note 18: Deposits

KAUPTHING BANK

All amounts in ISKm	30.06.2009	31.12.2008
Deposits in Germany branch	2.140	54.775
Deposits	**2.140**	**54.775**

- Deposits amounted to ISK 2bn as at 30 June 2008.
- The deposits in the Germany branch were defined as priority claims acc. to Act 125/2008. The vast majority of these deposits were paid in H1 2009.

All amounts in ISKm

Notes 19-20: Derivatives and unpaid derivatives – liabilities

KAUPTHING BANK

All amounts in ISKm	30.06.2009	31.12.2008
Derivatives	(6)	538
Unpaid derivatives*	136.302	138.213
Derivatives and unpaid derivatives	**136.296**	**138.751**
Collateral posted to counterparties	(88.932)	(80.432)
Net derivatives and unpaid derivatives	**47.364**	**58.319**

Derivatives and unpaid derivatives by type

All amounts in ISKm	30.06.2009	31.12.2008
Open FX Trades, Asset Sw aps & Interest Rate Sw aps	(6)	535
Open Caps, Floors, Barriers	-	3
Unpaid FX Trades, Asset Sw aps, Interest Rate Sw aps & FX Options	67.972	73.518
Unpaid Credit Derivatives*	69.137	65.436
Unpaid Equity Options*	(798)	(734)
Unpaid Caps, Floors, Barriers*	(9)	(7)
Derivatives and unpaid derivatives	**136.296**	**138.751**
Collateral posted to counterparties	(88.932)	(80.432)
Net derivatives and unpaid derivatives	**47.364**	**58.319**

- Derivatives on the liability side amounted to ISK 47bn as at 30 June 2009.
- Collateral posted is mainly in association with ISDA contracts. This collateral is accounted for as 'Loans to credit institutions'.

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

Note 21: Borrowings as at 30 June 2009

KAUPTHING BANK

All amounts in ISKm	30.06.2009	31.12.2008
Bonds issued	1.951.213	1.855.478
Bills issued	61.520	56.753
Money market loans	568.885	420.847
Central Bank of Iceland	314.857	316.471
Other loans	340.531	442.087
Borrowings	**3.237.006**	**3.091.636**

- Borrowings amounted to ISK 3.237bn as at 30 June 2009.
- A formal process for the creditors of the Bank to file claims against the bank began at 30 June 2009 and will end at 30 December 2009. Until all claims have been filed and validated, the real and accurate amount of borrowings is uncertain. In accordance with Act no. 44/2009, all liabilities are fixed in ISK as at that 22 April 2009.

Note 22: Liabilities to New Kaupthing Bank hf. in return of assets and liabilities transferred

KAUPTHING BANK

- In October 2008 all of the Bank's deposit liabilities in Iceland were transferred to New Kaupthing Bank hf., and also the bulk of the Bank's assets that relate to its Icelandic operations, such as loans and other claims.
- This transfer was done according to the FME's Transfer Decision dated 21 October 2008. Negotiations on the valuation of the assets and liabilities were concluded on 3 September 2009 when the Government and the Bank agreed not to conclude the valuation of the assets at present but in 3 years time. This solution allows the Bank to capture further upside in the valuation of the assets.
- The Bank is to provide cover for any negative initial value ("valuation gap") from the transfer of assets and liabilities from the Bank to New Kaupthing; the valuation gap is assessed at ISK 38.102m as at 22 October 2008.
- The value of the assets is guaranteed for the time period of the agreement which ends 30 June 2012.
- The size of the valuation gap will be reassessed semi-annually by an independent auditor. Therefore, the size of the valuation gap can decrease but has been capped at the initial value save for currency movements and accrued interests.
- The valuation gap is denominated 50% in EUR and 50% in ISK.

Note 23: Other liabilities

KAUPTHING BANK

All amounts in ISKm	30.06.2009	31.12.2008
Sundry liabilities	86.544	81.048
Trading liabilities - Securities borrowed	18.593	18.419
Liability to Norway and Finland regarding deposits, priority claim	-	14.120
Accounts payable	3.165	11.590
Other liabilities	**108.302**	**125.177**

- Other liabilities amounted to ISK 108bn as at 30 June 2009.
- Trading liabilities – Securities borrowed represents an obligation towards the Icelandic Central Bank where the Bank had borrowed liquid domestic government bonds in exchange for other liquid domestic government bonds.

All amounts in ISKm

Balance Sheet Net of Pledged Assets and Priority Claims

KAUPTHING BANK

All amounts in ISKm	30.06.2009 Balance Sheet	Pledged positions	Known priority claims	30.06.2009 Balance sheet after subtracting	31.12.2008 Balance sheet after subtracting
Cash in hand	98.799	-	-	98.799	77.963
Loans to credit institutions	442.923	(400.024)	-	42.899	148.548
Loans to customers	439.521	(82.262)	-	357.259	259.666
Bonds and debt instruments	119.064	(106.720)	-	12.344	2.652
Shares and instruments with variable income	214.600	(179.545)	-	35.055	23.203
Derivatives and unpaid derivatives	246.073	-	-	246.073	233.862
Investments in subsidiaries	135.562	(109.485)	-	26.077	25.707
Other assets	9.102	-	-	9.102	13.361
Less: Payment of known priority claims	-	-	(53.022)	(53.022)	(119.055)
Total assets	**1.705.644**	**(878.036)**	**(53.022)**	**774.586**	**665.907**
Due to credit institutions	151.808	-	-	151.808	173.892
Deposits	2.140	-	(2.140)	-	-
Derivatives and unpaid derivatives	136.296	-	-	136.296	138.751
Borrowings	3.237.006	(878.036)	-	2.358.970	2.284.429
Liability with New Kaupthing Bank	43.335	-	(43.335)	-	0
Other liabilities	108.302	-	(7.547)	100.755	101.924
Total Senior liabilities	**3.678.887**	**(878.036)**	**(53.022)**	**2.747.829**	**2.698.996**
Subordinated loans	422.624	-	-	422.624	400.677
Interest expense from 22.04.2009-30.06.2009	27.804	-	-	27.804	-
Equity	(2.423.671)	-	-	(2.423.671)	(2.433.766)
Total liabilities and equity	**1.705.644**	**(878.036)**	**(53.022)**	**774.586**	**665.907**

All amounts in ISKm

Balance Sheet Net of Pledged Assets and Priority Claims

KAUPTHING BANK

- Readers' attention is drawn to the terms of the disclaimer at the beginning and the end of this presentation, statement of compliance and valuation methodology in the beginning of this chapter of the presentation.
- As stated in notes 14 and 17, collateral accounts in 'Due to credit institutions' amount to ISK 143.517m at 30 June 2009 and ISK 137.236m at 31 December 2008 which will be deducted from the 'Derivatives and unpaid derivatives' on the asset side once these agreements are settled with the counterparties.
- As stated in notes 2 and 20, collateral accounts in 'Loans to credit institutions' amount to ISK 281.785m. Thereof, the collateral accounts related to derivatives amount to ISK 88.932m at 30 June 2009 and ISK 80.432m at 31 December 2008 is already included in the pledged positions.
- Pledged positions in 'Loans to customers at fair value' and 'Investments in subsidiaries' are represented at the value of the corresponding obligation, i.e. after any haircuts have been taken into account.
- Pledged positions for 'Bonds and debt instruments' and 'Shares and instruments with variable income' are represented at the assumed market value of the underlying collateral. The haircut on the corresponding obligation is excluded on the liability side.
- It should also be noted that there were significant currency movements in the first half of 2009 which impact the asset valuation.

Set-off

KAUPTHING BANK

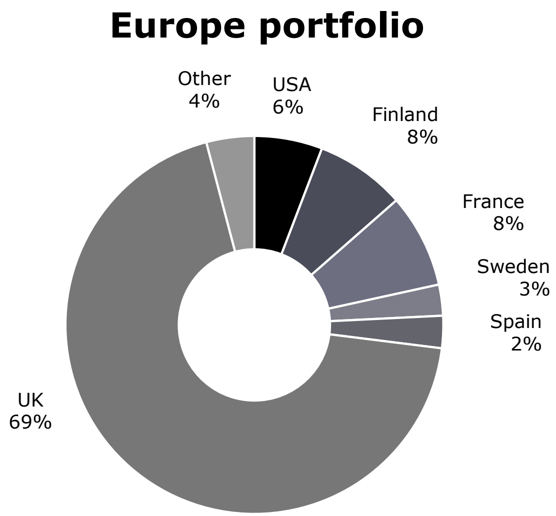
- The valuation of assets and liabilities in this report does not take into account the impact of set-off. The reason thereof is twofold:
  1. Counterparties have the right to claim until the end of the formal claim period which started on 30 June 2009 and will end on 30 December 2009
  2. Every case needs to be looked into and evaluated before each claim can be accepted or rejected. Therefore, the estimated size and impact of set-off is still very uncertain

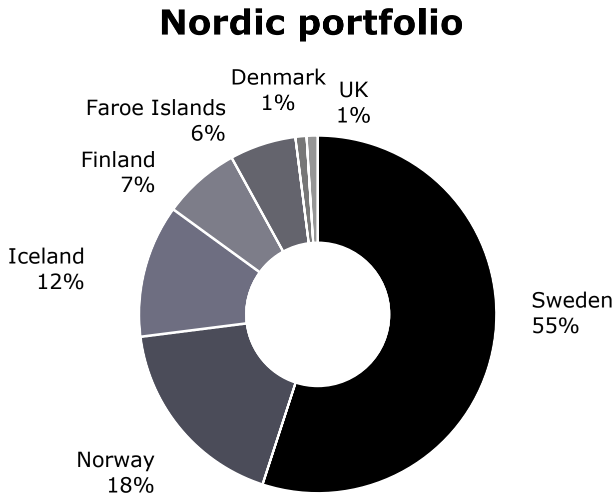
- The Bank has received to date set-off claims from counterparties amounting to ISK 200bn. The preliminary estimated set-off effects is in total up to ISK 100bn on the face value of both the respective assets and the respective liabilities. The exact amounts on the assets and liabilities side may differ.
- The participation of the Winding-up Committee is needed for the set-off process, as its current role is to evaluate all claims brought against the Bank, including claims that might be used for set-off.

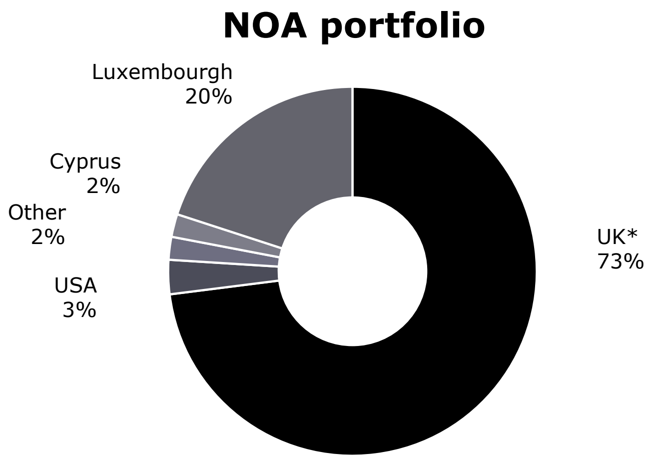
The Loan Portfolio
Additional Statistic

Loans to Customers by Geography

Loans to customers at nominal value 30 June 2009







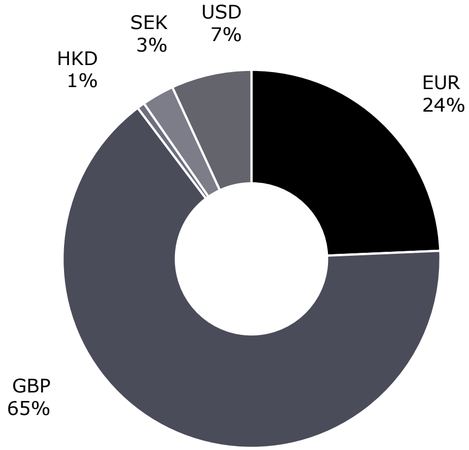
- UK includes UK overseas territories and Crown dependencies

Loans to Customers by Currency

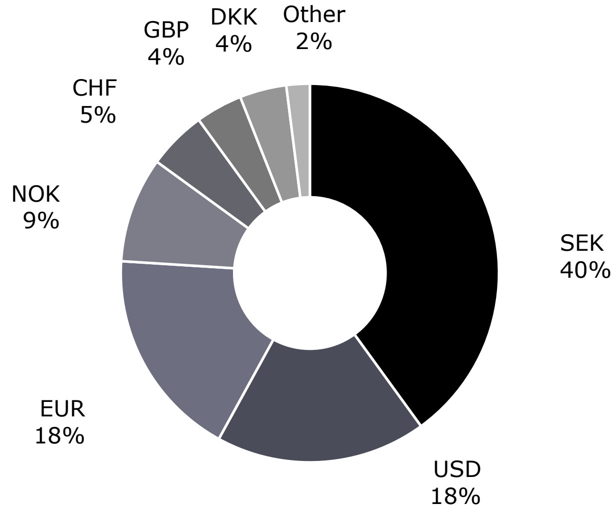
KAUPTHING BANK

Loans to customers at nominal value 30 June 2009

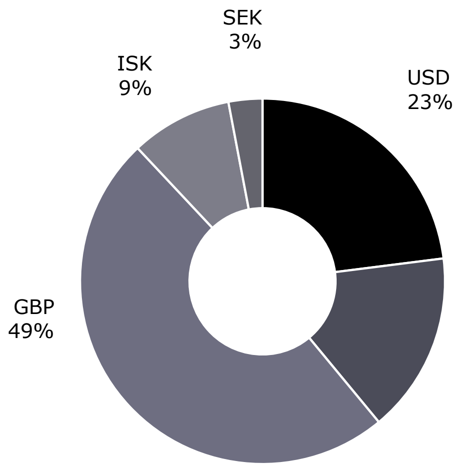
Europe portfolio



Nordic portfolio



NOA portfolio

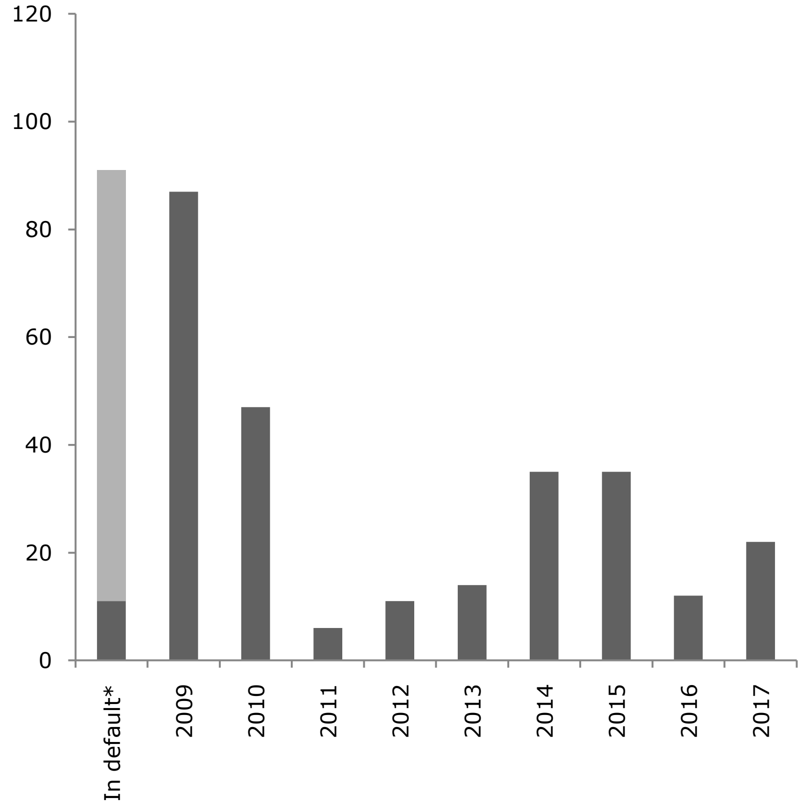


Loans to Customers - Maturity Profiles

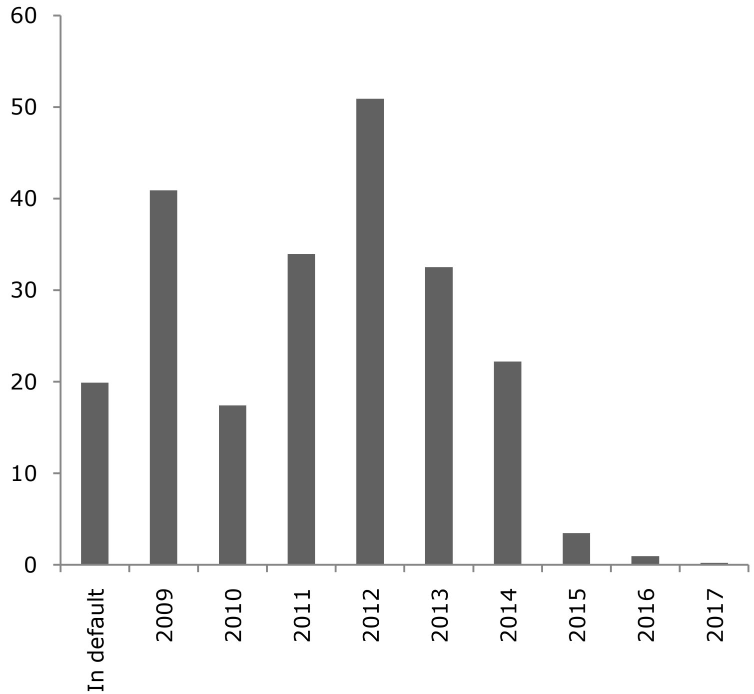
KAUPTHING BANK

Loans to customers at nominal value 30 June 2009

Europe portfolio



Nordic portfolio



All stakes in the NOA portfolio are by definition on a watch list and to a large extent in default.

All amounts in ISKbn

* Mosaic Fashions (in administration) and the Bank's financing of NoHo Square (real-estate development at standstill) where the Bank has also all the equity are classified as being in default and compose the vast majority of loans in this bucket.

More on Derivatives

Overview – Foreign Counterparties

KAUPTHING BANK

- There is a total of 149 foreign counterparties in the derivatives portfolio which can be broken down by:
  - 103 ISDA counterparties (in 92 ISDA agreements, as some are multi entity)
  - 32 non-ISDA , i.e. the Bank’s general terms & conditions counterparties
  - 14 counterparties within the Bank’s group (subsidiaries and branches)
- The number of transactions with foreign counterparties is less than 1,000. The vast majority of these are traded under the ISDA agreements, most of which have been terminated by the counterparty.

Overview – Domestic Counterparties

KAUPTHING BANK

- There is a total of 224 domestic counterparties in the derivatives portfolio which can be broken down by:
  - 14 ISDA counterparties (mostly domestic financial institutions but also some large companies)
  - 195 non-ISDA counterparties
  - 15 counterparties within the Bank’s group (subsidiaries and branches)
- The number of transactions with domestic counterparties is over 1,600. The vast majority of these are traded under general market agreements and a minority under ISDA agreements.

Overview - Open derivatives

KAUPTHING BANK

- There are open derivatives both in the domestic and in the foreign derivatives book.
- The total number of open derivatives contracts are less than 300.
- The transactions concern mainly plain vanilla interest rate swaps (IRS) and long term FX/Currency swaps with non-ISDA domestic counterparties.
- Process set up for regular review in order to determine whether the positions should be kept or terminated in order to maximise the recovery of the contracts.
- The Bank is in selective cases fulfilling its contractual obligations if it concludes it to be beneficial for the Bank:
  - Only in cross currency swaps where the Bank is paying ISK and receiving foreign currency

NOA Portfolio

Portfolio Overview

KAUPTHING BANK

- The portfolio is under the supervision of a sub-committee of the ResCom, the Inspection Committee (IC) and comprises of loans under examination.
- IC has the role of reviewing transactions, identified by the ResCom, and to prepare and commence legal proceedings against parties that might be in debt to the Bank due to those transactions, or are alternatively responsible for potential loss of the Bank resulting from the transactions.
- IC has the main objective to realise all possible claims and to review the portfolio that consists of:
  - Loans to related parties, former management, key employees and classified insiders
  - Irregular loans or transactions
  - Loans and transactions related to subsidiaries
  - Other matters which have been directed to IC
- Approx. 85% of the portfolio are Holding Companies and other SPV's.
- IC is also responsible for all communications with external investigation agencies such as the Financial Supervisory Authority, the Special Investigation Commission and the Special Prosecutor.
- Recently the Winding-up Committee engaged forensic accountants from PwC to investigate measures taken by the bank before it was granted a moratorium. IC works closely with the Winding-up Committee and PwC focusing particularly on possible rescissions and damages claims.

Portfolio Overview

KAUPTHING BANK

- The committee creates a subtask force to examine and manage each unique debtor. The task force can be comprised of internal resources as well as external advisors such as forensic auditor Grant Thornton International and the international law firm Weil, Gotshal & Manges.
- Since all the loans in the portfolio are under examination by the committee they are all categorised as being under watch until the committee has concluded its examination.
- The portfolio comprises more than 30 unique borrowers which are all under active revision.
  - All loans in this portfolio go through strict and thorough examination which all historical transactions, dealings and documents for each borrower are reviewed extensively
  - External legal counsel is working with the committee, along with forensic auditors and internal legal counsel on examining 18 unique borrowers
  - Majority of the loans in the portfolio are in default. Legal collection proceedings have commenced for 21 unique borrowers
    - Included are actions where pledges have been forced and ResCom representatives have gained management control of pledged companies

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