



KAUPTHING BANK

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Second Presentation to the Informal  
Creditors' Committee ("ICC")

10 December 2008

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FME	The Icelandic Financial Supervisory Authority
ICC	Informal Creditors' Committee
The Bank	Kaupthing Bank hf
New Kaupthing	New Kaupthing Bank hf
KSF	Kaupthing Singer and Friedlander Limited
FIH	FIH Erhvervsbank A/S
KT Lux	Kaupthing Bank Luxembourg S.A.

# Welcome Address & Introduction

## 29 September – 8 October 2008

- S&P, Moody's and Fitch downgrade Icelandic sovereign, Kaupthing, Glitnir and Landsbanki debt.
- Trading in shares in the Bank is suspended.
- Icelandic Parliament passes 125/2008 Act.
- Central Bank extends EUR 500m loan to the Bank.
- British authorities (FSA) succeed in having administrators appointed over KSF.
- Board of the Bank request that the FME take control of the Bank pursuant to the emergency law.

## 9 October – 21 October 2008

- New Kaupthing is created.
- Certain domestic assets and domestic deposits transferred to New Kaupthing on 21 October 2008.

## 22 October to date

- **First ICC meeting held 12 November 2008**
- **Several ICC conference calls held**
- **Moratorium granted 24 November 2008**
- **Filing of Voluntary Petition under Chapter 15 of the US Bankruptcy Code 30 November 2008**
- **Granting of provisional injunctive relief under the US Bankruptcy Code**

## The Resolution Committee

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- Maintain commercial banking operations of the Bank in Iceland
  - In line with the legislative act no. 125/2008, the Resolution Committee worked hard to ensure that the daily operations of Kaupthing's branches, both domestically and abroad, were not significantly affected.
    - ➔ This goal was reached when New Kaupthing was formally established on 22 October and took over commercial banking of Kaupthing in Iceland
- Protect depositors
  - Domestically & overseas in accordance with legislative act no. 125/2008
  - Co-operation abroad with governments, financial authorities and central banks
    - ➔ This goal has been achieved domestically (New Kaupthing now responsible for domestic deposits) and in terms of foreign depositors has either been completed or final arrangements are being negotiated.
- Ensure expertise and knowledge by hiring key employees
  - ➔ This goal has been achieved with employment of several qualified full time and part time employees
- Ensure cash flow in all currencies both domestically and to/from foreign jurisdictions
  - Problems were experienced with payments to/from Iceland primarily due to the approach of foreign governments and foreign currency restrictions imposed by the Central Bank.
  - Vital for the Icelandic economy; importers, exporters, etc.
    - ➔ This goal was achieved when New Kaupthing was formally established on 22 October
- Preserve the interests of creditors
  - The Resolution Committee has focused on protecting the assets of the Bank and preserving value for creditors
  - Creditors have been informed of developments via the Bank's website, creditor contact address and press releases
    - ➔ Will be discussed in more details on the following slide

## ■ Protect the interests of creditors

- Develop a strategic view
  - The strategy recommends retaining assets and supporting them as necessary to ensure value can be passed to creditors at a later stage
  - Valuation of the aggregate loan portfolio to estimate expected future cash inflow and the scope of associated servicing and monitoring work
  - Each asset valued in respect of:
    - a) current market value
    - b) cost and amount of support needed
    - c) potential recovery/redemption value if sold
- Increase value of assets to maximize claim recovery rates
  - No assets sold in fire sales. Assets only sold if support is required beyond the means of the bank
  - Preserving and protecting assets until market conditions improve
  - Temporarily supporting assets where necessary
- Build confidence and trust
  - Impact on the recovery of Iceland
  - Willingness to get the creditors to participate in any restructuring of the Bank and thereby increase the chance of banking business in the future with other countries
- Establishing Team Kaupthing
  - Forming experienced team to manage the assets of the Bank including loan portfolios, receivables bond and equity portfolios and the Bank's foreign subsidiaries
  - ➔ Primary responsibility within the Resolution Committee: All members

## ■ Finding solutions for the Bank's main branches and subsidiaries

### Foreign branches:

- *Kaupthing EDGE Austria:*
  - Depositors have been paid. The assets have been frozen and the entity is in moratorium.
- *Kaupthing Bank Finland:*
  - Depositors have been paid. The asset management operation has been sold and other parts of the entity are in the process of being sold.
- *Kaupthing EDGE Germany:*
  - The operation has been seized by the German Government and options for the entity are currently being explored.
- *Kaupthing Bank Norway:*
  - Depositors have been paid by the Norwegian Banks' Guarantee Fund which has frozen the assets of the entity. Kaupthing Bank Norway is in an insolvency process.
- *Kaupthing Bank Japan and Kaupthing Bank Hong Kong*
  - In the process of closing and winding down

## ■ Foreign subsidiaries and their branches:

- *FIH:*
  - FIH is operational and is no longer in a sales process. It will most likely be restructured with its operations trimmed.
- *Kaupthing Dubai and Qatar:*
  - Entity sold to employees
- *KSF:*
  - In administration and all assets have been frozen. Kaupthing EDGE UK taken over by ING (forced by the UK government) when the entity was put into administration
- *KSF (IoM) Limited:*
  - In provisional liquidation and all assets have been frozen. The committee is working with the FSA in IoM.
- *Kaupthing Bank Luxembourg, Kaupthing EDGE Belgium and Kaupthing EDGE Switzerland:*
  - In an insolvency process and all assets have been frozen.
- *Kaupthing Bank Sweden:*
  - Entity operational with support from the Swedish government. Kaupthing Pension Consulting and Kaupthing Finans AB have been sold. The entity will most likely be restructured with its operations trimmed.
- *Kaupthing Bank US:*
  - In the process of closing and winding down.

➔ Primary responsibility within the Resolution Committee: Steinar Thor Gudgeirsson

- Communication with creditors
  - Deloitte engaged to facilitate and advise on creditor relations
  - First meeting with the ICC held on Nov 12 and conference calls held when necessary
  - Up to date website and creditor email contacts
    - ➔ Primary responsibility within the Resolution Committee: Gudni Adalsteinsson
- The Bank's balance sheet
  - Split between the Bank and New Kaupthing as at 9am on 22 Oct
  - Separate balance sheet for the Bank prepared and audited
    - ➔ Primary responsibility within the Resolution Committee: Knutur Thorhallsson
- Internal audit
  - PWC has been engaged to work for the Resolution Committee and conduct thorough auditing work
  - Preparation of a report which will be submitted to the FME
    - ➔ Primary responsibility within the Resolution Committee: Theodor S. Sigurbergsson

- Board of directors in subsidiaries
  - Members from the Resolution Committee or representatives nominated by the committee replace former representatives of the Bank
    - ➔ Primary responsibility within the Resolution Committee: All members
  
- Policy formulation regarding the Bank
  - Co-operation with the Government, the Central Bank of Iceland and the FME
  - Focus on finding the best possible closure for all relevant parties in a realistic time frame and distribute the resulting value to creditors
    - ➔ Primary responsibility within the Resolution Committee: All members
  
- Establishing formal processes and procedures for the operations of the Resolution Committee
  - All meetings organised and concise
  - Presence of all members of the Resolution Committee required when formal meetings are held
  - Each member of the Resolution Committee responsible for specific projects with obligations to inform the chairman and other members of any updates
    - ➔ Primary responsibility within the Resolution Committee: All members

## Asset Sales

- As previously discussed, the Resolution Committee is committed to protecting the asset base of the Bank:
  - Current market conditions are unlikely to produce acceptable values.
  - No "fire-sale" bids have been entertained.
  - Assets will be supported to reach maximum value.
  
- In some cases, however, the Resolution Committee has disposed of overseas operations/assets. These disposals have been driven by a mix of:
  - Local regulatory authority "freeze of assets" or agreements to prevent the freeze of certain assets; and
  - Acceptable bid prices taking into account the future funding support needed for maintaining these assets



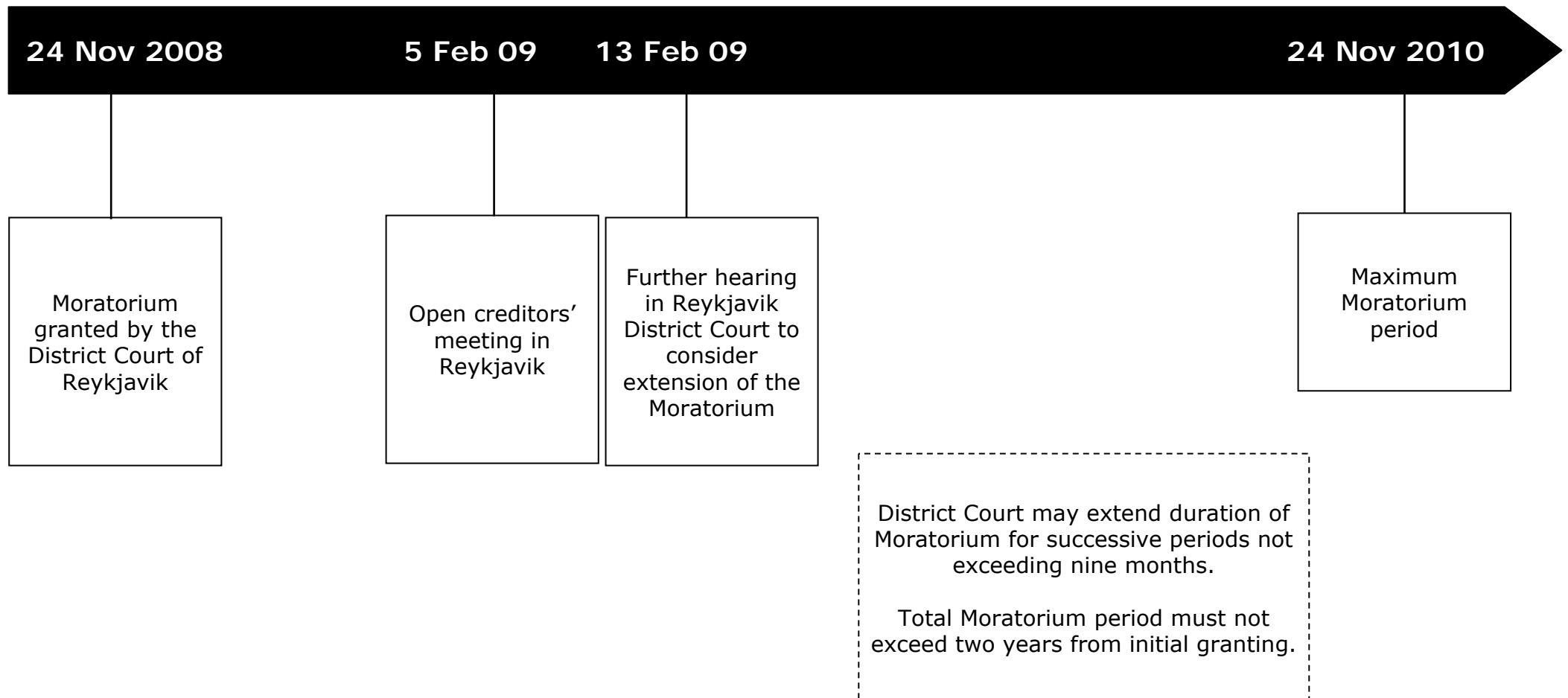
- The Resolution Committee has taken measures to ensure that certain foreign assets would not be sold at fire sale prices by reaching agreements with three countries in which the Bank had entities in insolvency proceedings – i.e. the Swedish government, the Finnish government and the Norwegian government.
- The relevant agreements provide that the governments will not sell assets for fire sale prices but will instead sell assets in such a way that the maximum value possible is obtained for each asset.
- This arrangement ensures that the best possible prices will be obtained for the assets and makes it more likely that proceeds will flow back to the Bank and as a result increase proceeds paid to creditors.
- The specifics of the agreements are as follows:
  - In Finland, certain assets of Kaupthing Finland were pledged against a bridge loan provided by the Finnish government.
  - In Norway, the Norwegian Banks' Guarantee Fund paid all depositors and froze certain assets of Kaupthing Norway against such payments.
  - In Sweden, the Swedish Central Bank granted a loan to Kaupthing Sweden against a pledge of certain assets which enabled the entity to continue with its normal operations.

## The Moratorium

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- On 21 November 2008 the Resolution Committee filed an application with the District Court of Reykjavik (pursuant to the Bankruptcy Act no. 21/1991) to stay creditor actions in order to facilitate the reorganisation of the Bank.
- The Moratorium was granted on 24 November 2008.
- Mr Olafur Gardarsson, Attorney to the Supreme Court of Iceland, was appointed as the Moratorium Supervisor.
- The Moratorium has been granted until 2pm Icelandic time on Friday 13 February 2009 at which time a further court hearing will take place for the Court to determine whether it is appropriate for the Moratorium to be extended.
- The further court hearing on 13 February 2009 will be an open hearing. All creditors can attend.
- The Moratorium Supervisor is obliged to summon the Bank's creditors to a meeting to be held not later than three days prior to 13 February 2008. The meeting will be held 5 February 2009.

- The Moratorium process can last for a maximum of 2 years.
- The Moratorium can, in theory, end in a number of ways including:
  - Debtor continuing its operation after restructuring its finances.
  - Voluntary agreements with the creditors.
  - Scheme of Arrangement/Composition.
  - Bankruptcy.
- The Resolution Committee will continue to operate during the Moratorium with the power of the board of directors and will as such continue to have decision-making powers.
- The Resolution Committee will operate under the supervision of the Moratorium Supervisor.
- During the Moratorium the ICC will remain an informal body representing the interests of the creditors. It will have no legal status.



- Application for the Moratorium was, in the opinion of the Resolution Committee, a necessary step to ensure that all creditors of the Bank are treated fairly and appropriately in accordance with Icelandic law through the protection of the Bank's assets.
- Legal proceedings had been commenced in London and Luxembourg. Following the granting of the Moratorium further proceedings have been commenced in the US and Austria.
- The Moratorium will provide the Bank with appropriate protection from legal actions, and ensure that it maintains a banking licence sufficient to support its assets.
- The Moratorium will provide the "breathing space" needed for the Resolution Committee to develop effective asset realisation and restructuring strategies to maximise returns for all creditors of the Bank.

- Pursuant to the Moratorium the Bank remains subject to the Financial Undertakings Act and the general supervision of the FME. The Icelandic District Court however has exclusive jurisdiction over the enforcement of the Moratorium.
- The Moratorium process restricts the payment of claims, the disposal of the Bank's assets or the assumption of financial obligations unless the prior approval of the Moratorium Supervisor is obtained.
- The disposal of assets is only permitted if it secures the day to day operations of the Bank, is necessary for the reorganisation of the Bank's finances or if the disposal of an asset is necessary to protect the value of that asset.
- Any contractual or legal provisions providing for consequences of non-performance will not apply during the period of the Moratorium.
- The Bank may not be declared bankrupt or have its assets subject to attachment, execution or forced sale while any cessation of payments remains in effect.
- No law suit can be commenced against the Bank while the Moratorium is in effect unless such action is specifically provided for by law or relates to a criminal claim.

- Mr Olafur Gardarsson, Attorney to the Supreme Court of Iceland and a partner of the Reykjavik Law Firm, was appointed as the Moratorium Supervisor.
- Mr Gardarsson has been a Supreme Court Attorney since 1992 and his areas of expertise include mergers and acquisitions, corporate and telecommunications law.
- Mr Gardarsson is a member of the board of the Data Protection Authority.



## ■ The Moratorium Supervisor:

- i. has the power to oversee the distribution of assets of the Bank and the payment of claims during the Moratorium.
- ii. must approve transactions undertaken by the Bank and ensure that no such transactions are in violation of the Bankruptcy Act.
- iii. assists the Bank in its efforts to restructure its finances and to decide how best to achieve any reorganisation.
- iv. acts as a fiduciary to the estate of the Bank to ensure the fair distribution of assets.
- v. has a duty to inform the Icelandic District Court if the Bank does not abide by the Moratorium Supervisor's directions or the provisions of the Bankruptcy Act.

- Under Icelandic law, a scheme of arrangement/composition refers to an agreement on settlement or relinquishment of debts concluded between a debtor and a certain majority of his creditors, which is subsequently confirmed in court.
- When the scheme of arrangement settlement has been approved by the court it is binding on all creditors and is to be implemented according to its terms.
- The original debts are extinguished on performance of the scheme.
- The minimum creditor support required is 60% by value and number of creditors voting. If the write-down is greater than 60% of the debt, then the minimum creditor support required to approve the composition is increased accordingly.
- If an alternative to the write-down of a debt is proposed – e.g. a debt for equity swap – the requisite creditor approval is also 60%.

- The Resolution Committee would continue to wield the power of the board of directors during a scheme of arrangement proceeding and as such would continue to have the decision-making power.
- The court appointed supervisor would continue to work with the Resolution Committee during a scheme of arrangement proceeding.
- During a scheme of arrangement proceeding the ICC would remain an informal body representing the interests of the creditor body. It would have no legal status.

## Financial Analysis

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The table below presents the Bank's balance sheet on a consolidated basis and Parent Company basis as at 30 June 2008.

All amounts in ISKbn

	The Bank Reviewed Consolidated accounts	The Bank Reviewed Parent Company Accounts	Subsidiaries and eliminations
	30.06.2008	30.06.2008	30.06.2008
Cash and cash balance with central banks	154	9	145
Loans to credit institutions	530	855	(325)
Loans to customers	4,202	1,660	2,543
Impairment on loans to customers	(33)	(17)	(16)
Bonds and debt instruments	722	241	481
Shares and instruments with variable income	208	136	72
Derivatives	328	200	128
Derivatives used for hedging	28	20	7
Investment in associates and joint ventures	108	107	1
Investment in subsidiaries	--	480	(480)
Intangible assets	86	--	86
Investment property, property and equipment	76	9	67
Other assets	195	46	149
<b>Total Assets</b>	<b>6,604</b>	<b>3,746</b>	<b>2,858</b>
Due to credit institutions and central banks	(671)	(241)	(430)
Deposits	(1,848)	(385)	(1,463)
Financial liabilities measured at fair value	(231)	(111)	(119)
Borrowings	(2,883)	(2,269)	(614)
Subordinated loans	(328)	(293)	(35)
Other liabilities	(205)	(22)	(183)
<b>Total Liabilities</b>	<b>(6,166)</b>	<b>(3,321)</b>	<b>(2,845)</b>
Shareholder's equity	(424)	(424)	--
Minority interest	(13)	--	(13)
<b>Total Equity</b>	<b>(438)</b>	<b>(424)</b>	<b>(13)</b>
Exchange Rate (EUR/ISK)	124.390	124.390	124.390

- The subsidiaries and eliminations column in the table opposite represents the difference between the Bank's consolidated balance sheet and company only balance sheet as at 30 June 2008.
- These differences are a result of adding subsidiary companies and eliminating inter-group balances, i.e. they are the consolidation adjustments.
- As at 30 June 2008, total assets in Euro of the consolidated balance sheet amounted to EUR 53.1bn and EUR 30.1bn in the Parent Company balance sheet.

Explanation of split – based on FME’s decision and Act no. 125/2008

## Principal methodology

- The overriding principal, as set out by the FME, in relation to the transfer of assets and liabilities from the Bank to New Kaupthing is that the following are transferred:
  - all assets related to domestic operations; and
  - all domestic deposits from financial undertakings, the Icelandic Central Bank and other customers.
- All other assets and liabilities are retained within the Bank.

	Transferred to New Kaupthing	Retained in the Bank
<b>Assets</b>	<ul style="list-style-type: none"> <li>■ All domestic assets, i.e. property, liquid assets, cash, loans, shares in other companies and claims.</li> <li>■ Intellectual property and licenses</li> </ul>	<ul style="list-style-type: none"> <li>■ All non-domestic assets.</li> <li>■ Foreign assets (i.e. branches and subsidiaries).</li> <li>■ Assets in relation to Landsbanki and Glitnir.</li> <li>■ Loans subject to security granted to other financial undertakings.</li> <li>■ Other assets specifically identified.</li> </ul>
<b>Liabilities</b>	<ul style="list-style-type: none"> <li>■ All domestic deposits, i.e. obligations of the branches of Kaupthing Bank hf. in Iceland due to deposits from financial undertakings, the Icelandic Central Bank and other customers.</li> <li>■ Obligations according to import and export guarantees.</li> <li>■ Debt backed by collateral which rests upon appropriated assets transferred to New Kaupthing.</li> </ul>	<ul style="list-style-type: none"> <li>■ All liabilities other than domestic deposits.</li> <li>■ Liabilities in respect of companies under moratorium or in bankruptcy.</li> <li>■ Other liabilities specifically identified.</li> </ul>

The table below presents the estimated split of assets and liabilities between the Bank and New Kaupthing at book value as at the date the emergency legislation was applied (21 October 2008) based on the methodology on the previous slide.

All amounts in ISKbn	The Bank Parent Company Accounts 21.10.2008	Transfer to New Kaupthing 21.10.2008	The Bank (book value) 21.10.2008
Cash and cash balance with central banks	5	2	3
Loans to credit institutions	912	47	865
Loans to customers	2.263	1.410	852
Impairment on loans to customers	(24)	(19)	(5)
Bonds and debt instruments	314	44	270
Shares and instruments with variable income	211	22	189
Derivatives	381	--	381
Investment in associates and joint ventures	63	9	54
Investment in subsidiaries	507	12	495
Investment property, property and equipment	9	9	1
Other assets	174	44	130
<b>Total Assets</b>	<b>4.814</b>	<b>1.580</b>	<b>3.234</b>
Due to credit institutions and central banks	(78)	(78)	0
Deposits	(569)	(339)	(230)
Financial liabilities measured at fair value	(143)	--	(143)
Borrowings	(3.072)	--	(3.072)
Subordinated loans	(375)	--	(375)
Other liabilities	(122)	(35)	(87)
<b>Total Liabilities</b>	<b>(4.360)</b>	<b>(453)</b>	<b>(3.907)</b>
Exchange Rate (EUR/ISK)	150,245	150,245	150,245

Per the table opposite, post the split, total assets of New Kaupthing amounted to EUR 10.5bn and total assets of the Bank amounted to EUR 21.5bn as at 21 October 2008 before any significant impairment adjustments.

Please note that the numbers in the table to the left are preliminary numbers

# New Kaupthing Preliminary Opening Balance Sheet Estimate as at 21.10.2008



The numbers presented below relating to fair value adjustments and the bond are preliminary only and work is ongoing by Oliver Wyman to establish fair value methodology.

	1	2	3	4	5
	Transfer to New Kaupthing (see previous slide) 21.10.2008	Preliminary Fair Value Adjustments	New Kaupthing before capital injection and bond issued	Bond Issue and Capital Injection (outstanding)	New Kaupthing Opening balance sheet (estimate)
All amounts in ISKbn					
Cash and cash balance with central banks	2	--	2	75	77
Loans to credit institutions	47	(20)	27	--	27
Loans to customers	1.410	--	1.410	--	1.410
Impairment on loans to customers	(19)	(935)	(954)	--	(954)
Bonds and debt instruments	44	--	44	--	44
Shares and instruments with variable income	22	--	22	--	22
Investment in associates and joint ventures	9	--	9	--	9
Investment in subsidiaries	12	--	12	--	12
Investment property, property and equipment	9	--	9	--	9
Other assets	44	(0)	44	--	44
<b>Total Assets</b>	<b>1.580</b>	<b>(956)</b>	<b>625</b>	<b>75</b>	<b>700</b>
Due to credit institutions and central banks	(78)	--	(78)	--	(78)
Deposits	(339)	--	(339)	--	(339)
Borrowings	--	--	--	--	--
Other liabilities	(35)	--	(35)	--	(35)
Bond issued to old bank	--	--	--	(172)	(172)
<b>Total Liabilities</b>	<b>(453)</b>	<b>--</b>	<b>(453)</b>	<b>(172)</b>	<b>(625)</b>
Shareholder's equity	N/A	N/A	N/A	(75)	(75)
<b>Total Equity</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>(75)</b>
Exchange Rate (EUR/ISK)	150,245	150,245	150,245	150,245	150,245

As per the table above, the preliminary estimate of New Kaupthing's opening asset as at 21 October 2008 is EUR 4.7bn. As already stated on this slide, this will change as a result of the work being carried out by Oliver Wyman.

- Assets and liabilities were initially transferred out of the Bank at book value on 21 October 2008 (column 1).
- Determining the methodology for the fair value of assets and liabilities transferred out of the Bank is currently being undertaken by Oliver Wyman, appointed by the FME. The FME will then apply this methodology to the assets and liabilities of New Kaupthing to determine the fair value adjustments.
- The preliminary fair value adjustments presented in column 2 in the table opposite were calculated by the Bank with the assistance from PriceWaterhouseCoopers Iceland. The adjustments will not be final until the work is completed by Oliver Wyman as stated above.
- After making these preliminary adjustments, net assets amount to ISK 172bn (column 3).
- The value of the bond issued is equal to net assets (column 4).
- The Government will inject ISK 75bn of cash as equity (column 4).
- These series of entries produce a preliminary opening balance sheet estimate for New Kaupthing, however, this will change as a result of the work being undertaken by Oliver Wyman.



## The FME Decision

In accordance with the FME decision of 21 October 2008, part of the Bank's operations were transferred to New Kaupthing, in return for which New Kaupthing would issue a bond to the Bank equivalent to the surplus of assets over liabilities at fair value.

The FME decision was as follows:

Book value		
	<b>Impairment</b>	
Adjusted fair value	<b>ISK 75bn</b>	<b>Equity</b>
Original fair value		<b>Bond Issued to the Bank</b>
		<b>Depositors</b>

- Assets transferred from the Bank to New Kaupthing with fair value adjustment applied.
- Bond to the Bank to be valued at difference between fair value of New Kaupthing assets less value of New Kaupthing depositors.
- Cash injection by Icelandic Government primarily to provide New Kaupthing with liquidity.
- Assuming an accounting valuation does not materially erode the equity surplus.

All amounts in ISKbn	New Kaupthing Opening balance sheet (estimate)
Cash and cash balance with central banks	77
Loans to credit institutions	27
Loans to customers	1,410
Impairment on loans to customers	(954)
Bonds and debt instruments	44
Shares and instruments with variable income	22
Investment in associates and joint ventures	9
Investment in subsidiaries	12
Investment property, property and equipment	9
Other assets	44
<b>Total Assets</b>	<b>700</b>
Due to credit institutions and central banks	(78)
Deposits	(339)
Borrowings	--
Other liabilities	(35)
Bond issued to old bank	(172)
<b>Total Liabilities</b>	<b>(625)</b>
Shareholder's equity	(75)
<b>Total Equity</b>	<b>(75)</b>
Exchange Rate (EUR/ISK)	150.245

- New Kaupthing needs to have an appropriate capital structure to meet regulatory capital requirements.
- New Kaupthing needs to have a bond that meets regulatory capital requirements and long term liquidity/cash flow needs.
- New Kaupthing needs to have a 'clean' audit report.
- The Bank 'requires' the bond to be maximum value with minimum redemption period.

## New Bank Valuation

- Oliver Wyman attended the meeting and made a presentation to the ICC on the methodology and assumptions which they will use to value the assets transferred to New Kaupthing.

## Wider Restructuring Options

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- As has been outlined above, on 21 November 2008 the Bank filed an application to stay creditor actions in order to facilitate its reorganisation. The Moratorium was granted on 24 November 2008 and will apply for a maximum of 24 months i.e. until 24 November 2010.
- It is expected that the Moratorium process of the Bank would conclude only through operation of either of the following:

## Bankruptcy

Claims converted into ISK

Management of assets vests in a trustee (lawyer)

Likely emphasis on a direct realisation of assets

## Scheme of Arrangement

Requires a minimum 60% support from creditors

Claims converted into ISK when the original composition application is made

Distributions can be in any currency under the Scheme

- In order to ensure that appropriate parties are consulted and that the Resolution Committee has the requisite authority to advance restructuring strategies, a coordination group has recently been formed.
- The Chairman of the coordination group is Magnus Gunnarsson, the newly appointed representative of the government.
- Other members of the group are:
  - Steinar Thor Gudgeirsson - Chairman of the Resolution Committee of the Bank
  - Thorhallur Arason - representative from the Ministry of Finance
  - Helga Oskarsdóttir - representative from the Ministry of Commerce
  - Jon Sigurgeirsson – representative from the Central Bank of Iceland
- The Resolution Committee has full freedom from the coordination group to consider and to develop restructuring options.



- During discussions which the Resolution Committee has had with the ICC/the creditor community, the principal concerns which have been highlighted with the present FME decision are as follows:
  - How will the bond be structured: currency constraints/valuation/timing/coupon?
  - Are there alternative options?
- Creditors have suggested that in addition to the original FME decision, consideration should also be given to alternative options for structuring ownership of New Kaupthing as well as additional restructuring/work out scenarios.
- The consideration and analysis of these options by the Resolution Committee is only preliminary in nature. Indeed, the Resolution Committee is mindful of the concerns of the ICC as to priority of issues as well as the benefit that a financial advisor might bring to such discussions.

## Financial Advisors

- The Resolution Committee is committed to obtaining advice where appropriate to ensure that the value of assets is maximised for the benefit of creditors.
- Following the first meeting of the ICC, the Resolution Committee has convened two conference calls with the ICC to outline potential restructuring options. Having considered the views expressed by the ICC both during these conference calls and in subsequent communications, the Resolution Committee confirms that it is now considering obtaining advice on the following matters:
  - Independent party to review financial information (of New Kaupthing and the Bank).
  - Independent party to review and challenge any analysis undertaken to structure the bond and equity interest of the Bank and New Kaupthing.
  - Engaging advisors to review asset work out strategies being developed to ensure all parties have confidence in the viability of such strategies.
  - Engaging advisors to advise the Resolution Committee (in consultation with the ICC) on the structure of any SPV or other restructuring options.
- The Resolution Committee proposes that costs incurred resulting from the above engagements would be for the account of the Bank.
- While the financial advisor will also consult with the ICC, they will be retained by and owe duties to the Resolution Committee.

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Next Steps

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# Next steps and key dates for 2009

Key steps	Estimated timing
Next ICC meeting	TBD
Hearing before the US Bankruptcy Court for recognition of the Icelandic Moratorium	21 January 2009
Moratorium Assistant to convene a meeting of creditors	5 February 2009
Moratorium extension hearing - Reykjavik District Court	13 February 2009
Engagement of a financial advisor and agree terms of the engagement	
The financial advisor to work with the Resolution Committee and the Bank and to consult with the ICC and report on developed restructuring proposals	

Q & A

This presentation, which is an abbreviated version of a presentation which was prepared for the members of the ICC, has been prepared for creditors of Kaupthing Bank hf ("the Bank") for information purposes only in order to provide a background to the current situation. In preparing this presentation, the Bank has not taken account of the interest of any particular creditor or group of creditors.

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