



KAUPTHING BANK

5th Meeting of the Resolution Committee
and the Informal Creditors' Committee

4 June 2009

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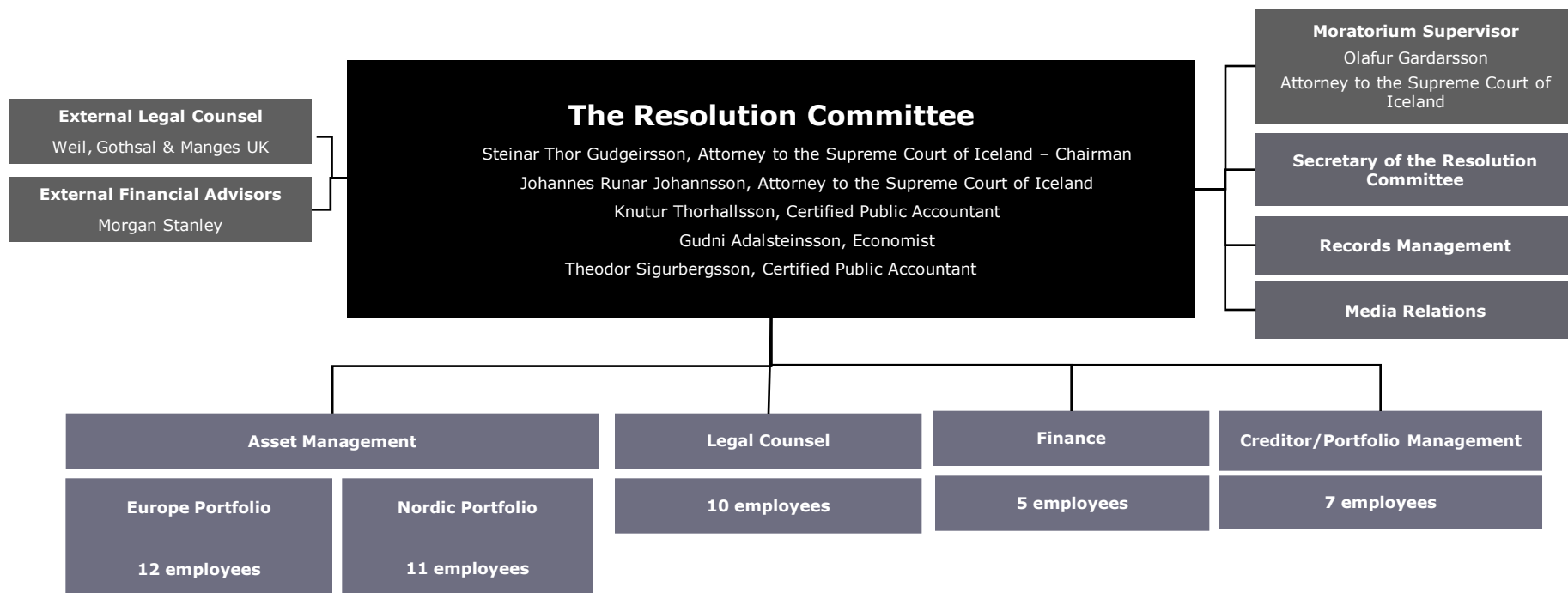
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Welcome Address & Introduction

- This presentation provides updates in several areas and adds to previously issued information, both at these meetings and on our website, www.kaupthing.com
- Previously issued information is still valid and does, in many instances, provide the reader with background and/or goes into more detail on subject matters discussed in this presentation

Asset Base Overview

General



- The Asset Committee has the role of both credit committee and investment committee in a traditional financial institution
- The Asset Committee is one of four sub-committees of the Resolution Committee and meets twice a week. The other sub-committees are the Inspection Committee, the Finance Committee and the Set-off and Netting Committee
- Cases related to the assets of the Bank are presented with memos by the responsible employees to the Asset Committee – they can range from a simple waiver request to a request for disposal of assets
- If the Asset Committee wishes to approve a drawdown request or a request for disposal of assets, the case is referred to the Resolution Committee which makes the final decision to approve or refuse the request



- The purpose of the asset management team is to manage a large part of the Bank's assets with the ultimate goal of securing maximum recovery from these assets
- The objective of the team is to maintain and support a large part of the Bank's asset portfolio, increase its value and prevent a "fire sale" of assets
- The loan portfolio, along with the attached bonds and equity stakes, can be broken into the following four categories:
 1. *Nordic portfolio*: stakes mainly located in Sweden, Norway, Iceland and Finland
 2. *Europe portfolio*: stakes mainly located in Europe, primarily in the UK, but also elsewhere in the world

The *Nordic* and *Europe portfolios* are actively managed by the asset management team and the vast majority of the stakes in these portfolios have some underlying operations or assets

 3. *Other assets portfolio*: stakes under special revision by a sub-committee of the Resolution Committee and internal and external legal counsel when needed. The loans in this portfolio undergo thorough revision in a sub-committee of the Resolution Committee which can end with:
 - *All checks passed* => goes into the *Europe portfolio* or the *Nordic portfolio*
 - *Checks not passed* => goes into collection proceedings
 4. *Other asset classes*: asset classes which do not require active management by the asset management team and are not under special revision
- The most significant asset classes in *Other asset classes* are cash which is managed by finance and derivatives which are managed by the netting and set off committee

- Several new employees have been added to the asset management team recently. 23 employees are now in this division, most of whom are experienced across corporate finance, corporate banking, private equity, leverage finance, restructuring and workouts with up to 17 years experience in the industry
- Members of the team are in many cases located close to the assets, i.e. in the UK, Sweden and Finland. Strategy meetings have been held recently in Iceland
- The experts in the asset management team lead the projects and the process is supported by an external advisory service as needed. Tasks where the asset management has engaged with external advisers include due diligence reports, business verification, tax planning and appraisal and valuation
- In the current market environment, it is expected that fees generated from the loan portfolio will cover the costs of running the asset management division. To date, this has been the case
- 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

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
 - Hostile management teams
- 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 Kaupthing 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*

The Bank protected assets in its foreign entities in the Nordic region and finally managed to transfer them to the parent company, thereby increasing the asset base by EUR 1,2bn

- Assets were transferred from branches and a subsidiary in the Nordic region to the parent company
 - Branch closed in Finland after some operations had been sold off and assets of EUR 100m at nominal value were transferred to Iceland
 - Branch closed in Norway and assets of appr. EUR 300m at nominal value were transferred to Iceland
 - Subsidiary in Sweden sold to Ålandsbanken and assets of appr. 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 appr. EUR 1,2bn of assets retrieved from foreign entities in the Nordic region*

Once the initial challenges had surpassed, 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
- If relevant, action plans for specific assets were made
- Each asset prioritized by urgency and size
 - A vast majority of the loan portfolio are positions which are actively being worked on
 - The remainder of the portfolio are positions which are insignificant in size and/or where all payments are punctual and it is not concluded as urgent to work much on for the time being

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

- Securing maximum recovery with pro-active management of every asset
- 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, external advisors and consultants are appointed to ensure top class expertise in every case

- The portfolios managed by the asset management team, the *Europe portfolio* and the *Nordic portfolio*, will be reviewed in more details on the following slides
- All the numbers presented on the following slides are preliminary since the initial balance sheet of the entity is not ready yet
- In addition, no impairment adjustments have been made to the numbers presented
- As outlined in more detail on the next slide, the size of the corporate loan portfolio that the Bank is managing has increased significantly since the last ICC meeting due to a correction of the preliminary asset transfer to New Kaupthing
- The increment to the Bank's corporate loan portfolio is viewed very positively by the Resolution Committee since it believes that it is in the best position to work with these assets
 - The experts in the asset management team are working on restructuring on a daily basis and the processes and procedures are already in place at the Bank
 - The Bank focuses on maximum recovery of assets and does not need to take into account future business relationships with clients
 - The Bank has connections with a wide range of external advisory services abroad that can be utilized whenever needed

- PWC was appointed to audit the asset transfer from the Bank to New Kaupthing to ensure that it was completed in full accordance with the FME transfer decision
- PWC completed their revision early in April and have concluded that some assets that were initially moved to New Kaupthing should have stayed with the Bank
- All cash flow to and from the assets since the FME transfer decision was made will be compiled and corrected between the two banks
- The committee considers these assets to be of above average quality in the Bank's loan portfolio. This correction will decrease the size of the compensation instrument
- The FME has not yet confirmed this correction

Each loan in the *Nordic* and *Europe* portfolios has been categorized and monitored according to the following definitions. Non-performing loans are defined as loans on the view list or on the 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
- *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 Portfolio Management function monitors the asset base and works closely with the asset management team

- The team monitors and analyses the Bank's asset base both on an aggregate level and on an individual exposure basis
- This entails the following tasks:
 - Past cash flow analysis and future cash flow projections
 - Collateral overview and analysis
 - Financial monitoring and analysis
 - Covenant monitoring
 - Statistical analysis
 - Default list monitoring
 - View/Watch lists monitoring

The Europe portfolio

Overview and Recent Developments

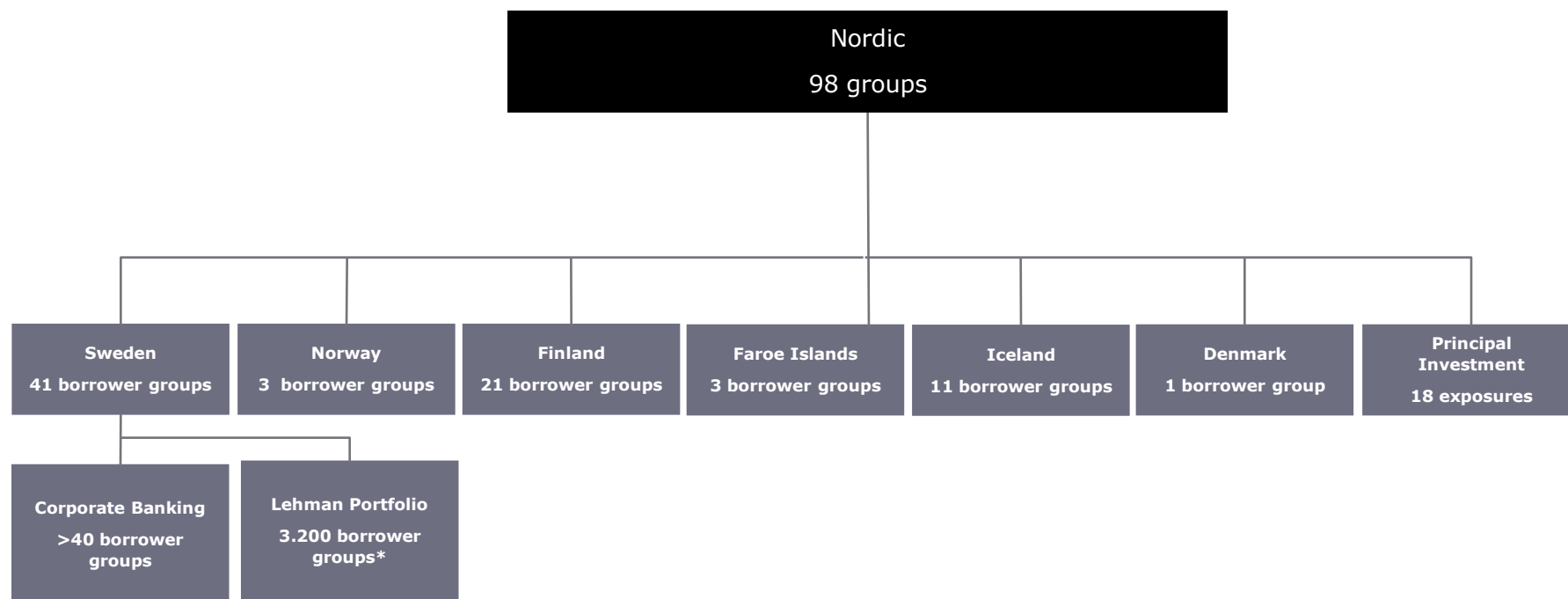
- As at 30 April 2009, the portfolio consisted of 48 borrower groups and 14 equity stakes, 2 of which are listed
- Total of appr. EUR 1,900m at nominal value of loans as at 30 April 2009 and EUR 18.9m in listed equity MtM as at 31 March 2009
- Appr. $\frac{3}{4}$ of the portfolio is in the form of senior loans while the remainder is in the form of subordinated loans
- The Europe portfolio is managed by 12 employees in asset management:
 - 8 in Iceland
 - 4 in the UK
- Team supported by 2 portfolio managers who monitor all the assets in the portfolio and report regularly to Asset Management and the Asset Committee
- Support provided from legal counsel and finance as relevant

- Two major restructuring exercises by the asset management team, Mosaic and All Saints, have already been described in the Creditors report
- The team is currently working on several other heavy restructuring projects on large accounts

The Nordic portfolio

Overview and Recent Developments

- As at 30 April 2009, 80 borrower groups and 18 equity stakes, 2 of which are listed
- Total of appr. EUR 1,300m at nominal value in loans as at 30 April 2009 and appr. EUR 58m in listed equity MtM as at 31 March 2009
- Over 90% of the portfolio is in the form of senior loans
- Nordic portfolio managed by 11 account managers:
 - 4 in Iceland
 - 6 in Sweden
 - 1 in Finland
- Team supported by 2 portfolio managers who monitor all the assets in the portfolio and report regularly to Asset Management and the Asset Committee
- Support provided from legal counsel and finance as relevant



*: The Lehman portfolio was inherited by the Bank from Kaupthing Bank Sweden, its subsidiary in Sweden when it was sold off to Alandsbanken. The loans in this portfolio were mostly granted to HNW individuals who bought structured Lehman bonds via third party with a loan from Kaupthing Bank Sweden. Kaupthing Bank Sweden issued the structure and provided the loans but had no involvement in the sales process.

- Some of the Bank's Swedish assets that were transferred to Kaupthing Bank hf., when Ålandsbanken Abp acquired Kaupthing's Swedish subsidiary, have to date been realized at a 100% recovery rate, implying that values of EUR 35m from the Swedish portfolio have already been secured
- In addition, two other loans in the Nordic region of a total of EUR 5.5m have been fully repaid
- All of these loans were repaid at face value after several bids below par had been rejected
- Further details on these transactions will be provided on the following slides

Sweden

- In connection with the transfer of the Swedish assets to Kaupthing Bank hf., Kaupthing was approached by one of its private equity clients, offering a buy-back of the loans relating to the sponsor's acquisition of two companies in the industry sector
- Given the relatively strong status of the companies the Asset Committee decided not to accept offers below par and therefore the offers were declined by Kaupthing.
- Two months later, the debts were repaid in full by the sponsor and 100% of the loans recovered, and notional loan amounts SEK 192m (EUR 18m) and SEK 83m (EUR 8m) secured
- Furthermore, two equity positions have been sold since the transfer was completed
 - In one of the transaction the other owners exercised their right of first refusal in relation to the transfer of the shares to Iceland
 - In the other transaction Kaupthing sold its shares through a structured sales process
 - In total some EUR 9m were realized in these two transactions which is above the transfer value

Finland

- In relation to the closing down of the Kaupthing Branch office in Helsinki January 2009, Kaupthing was approached by a Nordic Bank, offering to purchase senior debt facilities amounting to EUR 5.3m at the time for 83.6% of the face value
- Their bid was increased after an intensive negotiation process to 90%, which was later topped by the initial borrower's buy-back offer of 95%
- A full recovery of facilities relating to restaurant and nightclub business in the current market turmoil is very challenging, but the Bank's strategy not to fire sale assets paid off
- Finally, after 5 months, the borrower has been able to refinance and the Bank has been able to secure 100% of its exposure

Update on other work streams

- The Netting and Set-Off Committee has registered and prepared the cases where set-off has been declared as well as preparing a collection process
- The committee was established in February and consists of one member from the Resolution Committee and two attorneys at law; one employed by the Bank and one employed by New Kaupthing. The Committee has met regularly twice a week. Several employees of Bank have been assisting the committee with preparation and calculation
- 56 set-off claims have been registered to date totalling appr. EUR 1,100m. This does not include ISDA set-off cases
- As discussed at the last ICC meeting, this figure cannot be taken as conclusive due to two primary reasons:
 - 1) Counterparties have the right to claim until the end of the formal claim period which has not yet started
 - 2) Every case needs to be reviewed and evaluated before each claim can be accepted or rejected=> Therefore, the estimated size and impact of set-off and netting is still very uncertain
- The Bank has also started collection process in several cases where the underlying collateral is liquid assets, in particular cash and/or securities
- No actual set-off has yet taken place since the newly appointed Winding-up Committee now needs to be involved in the process of evaluating the set-off claims
- Due to the involvement of the newly appointed Winding-up Committee, a new Netting and Set-off committee will be appointed shortly to replace the old committee. This committee will be a sub-committee of the Resolution Committee and the Winding-up Committee

Update on legal framework

Changes to applicable legislation

- Act no. 44/2009 has recently been passed, amending Act. No 161/2002 on Financial Undertakings with subsequent amendments. Act no. 44/2009 references the Bankruptcy Act in a number of matters.

The Moratorium still applies

- The Moratorium is still in effect and can be extended in accordance with the prior provisions of Act no. 161/2002 as subsequently amended. As such the Moratorium can be extended for a period of nine months on each extension request up to a total period of 24 months, i.e. until 24 November 2010 at the latest.

The Bank to enter winding-up on conclusion of the Moratorium

- Act no. 44/2009 provides that when the Moratorium concludes the Bank shall automatically enter a winding-up process according to Act no. 44/2009. The moratorium can also conclude by a scheme of arrangement between the Bank's creditors or insolvent liquidation.

Modification to the roles of the Resolution Committee

- The provisions governing the authorisations of the Resolution Committee have been changed by Act no. 44/2009.

Winding-up committee to be appointed to assess claims against the Bank

- Following Act no. 44/2009 coming in to force, a Winding-up Committee shall be appointed to the Bank by the District Court of Reykjavík to take over such roles and authorisations as provided by Act no. 44/2009. The role of the Winding-up Committee includes inter alia setting a deadline for filing claims, the registration of claims and the recognition of claims.

- The Moratorium can be extended according to the same rules as before:
 - The Bank will request an extension to Moratorium in the court hearing on 13 November 2009 where the District Court of Reykjavík can decide to further extend the moratorium for up to 9 months.
 - The Bank can request further extensions of the Moratorium from the District Court of Reykjavík for periods up to nine months.
 - Under the current legislation, the District Court of Reykjavík cannot grant extensions to the Moratorium lasting beyond 24 November 2010, the date which is 24 months from the initial granting of authorisation for Moratorium on 24 November 2008.
- Creditors' meeting convened in Reykjavík in the first two weeks of November
 - The Moratorium Supervisor of Reykjavík shall convene a creditors' meeting in Reykjavík no later than three days prior to the court hearing of 13 November 2009.
 - The meeting is held in accordance with the same provisions of the Bankruptcy Act which governed the first creditors' meeting of 5 February 2008. The meeting will thus be an informational one and as the Bankruptcy Act provides, matters will not be put to a vote.

- The Moratorium can conclude in different ways:

- Act no. 44/2009 provides that on conclusion of the Moratorium, the Bank shall enter a winding-up process. A winding-up process would allow for the same measures as the moratorium in most regards, including the possibility for the Resolution Committee to maximize the value of the Bank's assets for the benefit of the creditors before disposing of assets.
- While still in Moratorium or subsequent winding-up process, and following an assessment of the Resolution Committee on whether the Bank has enough assets to meet its liabilities, the Winding-up Committee will decide either to organize a scheme of arrangement or file for insolvent liquidation. The Resolution Committee will be provided with such time as needed to maximise the Bank's assets.

- The Resolution Committee still holds the power of the Board of Directors
 - The Resolution Committee still holds the power of the Board of Directors which it was granted by decision of the FME on 9 October 2008, but now it holds such powers in accordance with Act no. 44/2009.
 - In addition to the powers of the Board of Directors, according to Act no. 44/2009 the Resolution Committee now holds the power of the Bank's shareholders' meeting which formerly rested with the FME according to Act no. 125/2008.
- The role of the Resolution Committee in administrating the Bank's assets
 - According to Act no. 44/2009 The Resolution Committee continues to control and administer the interests of the Bank.
 - The authorisations of the Resolution Committee are no longer subject to the provisions of Chapter IV of the Act on Bankruptcy etc. no. 21/1991. According to Act no. 44/2009 the authorisations of the Resolution Committee are governed by the many of the same provisions that govern the authorisations of a trustee in insolvent liquidation according to the Bankruptcy Act.
- The Resolution Committee shall assess whether and to which extent the Bank's assets will suffice to cover its obligations. A report on this assessment must be submitted and presented to the first creditors' meeting held after the expiry of the deadline for submission of claims.

- The Resolution Committee continues to represent the Bank and administer its interests
 - The Resolution Committee shall endeavour to obtain as high a value as possible for the Bank's assets, for instance, by waiting for outstanding claims to mature rather than realising them at an earlier date, unless it is deemed evident that the interests of creditors are better served by disposing of such rights at an earlier stage. To this end the Resolution Committee may disregard a resolution by a creditors' meeting which it considers contrary to this objective
 - The Resolution Committee shall be in charge of the affairs of the Bank, and shall alone be competent to make dispositions concerning its interests and to answer for its obligations. The Resolution shall represent the Bank in court and conclude agreements and other legal dispositions in its name
 - The Resolution Committee shall ensure that all the assets and interests of the Bank estate are discovered and disposed of as economically as possible, that its claims and receivables are collected, that none of its interests of potential financial value are lost and that any measures necessary to prevent loss are taken
- The Resolution Committee is permitted to repay certain priority claims until the Winding-up Committee has convened a creditors' meeting following the expiry of the deadline for filing claims as long as the Bank has sufficient funds to pay claims with the same rank in the order of priority of payment of claims.

- Creditors' meetings convened by the Resolution Committee and meetings convened by the Winding-up Committee handle separate aspects of the Bank's operations, as explained on the following slides. In practice however, these meetings are likely to be held jointly, although different provisions of the Bankruptcy Act may apply depending on which matters are being considered by the creditors' meeting
- The Resolution Committee shall convene creditors' meetings as appropriate, for considering the measures it has taken in regard to the Bank's interests, for seeking proposals or decisions regarding measures that have yet to be taken, and for providing opportunities to creditors for making such proposals. The creditors' meeting cannot decide on measures which have already been made by the Resolution Committee
- Creditors holding claims which have not been finally rejected are entitled to attend creditors' meetings. To the extent it may be necessary determine proportional voting rights at a creditors' meeting, these shall be determined by the amounts of the claims of those entitled to attend
- A creditor's meeting is quorate if a third of all creditors entitled to vote attends the meeting. The Resolution Committee generally be bound a decision of a quorate creditors' meeting but a number um exceptions apply. The Resolution Committee is thus not bound if the decision of the creditors' meeting is unlawful, dishonest, contrary to interests of creditors not attending, discriminates against the minority of creditors or is contrary to the Resolution Committee's aim of maximizing the value of the Bank's assets
- If a creditor has been summoned to a creditors meeting and does not attend, then the relevant creditor may forfeit the right to object to or challenge a decision made at the meeting
- A creditor who is entitled to vote at creditor's meetings, and who believes that the measures taken by the Resolution Committee are unlawful, can protest such measures immediately at a meeting where it is presented or at the next meeting after the measure has been taken
- The Resolution Committee shall endeavour to resolve any such disputes regarding its handling of the Bank's interests. If such disputes cannot be resolved, the matter shall be referred to the District Court of Reykjavík

- According to Act. no 44/2009, a Winding-up Committee shall be appointed to the Bank to assume certain responsibilities beyond the capacity of the Resolution Committee
- On 25 May 2009 the District Court of Reykjavík appointed a Winding-up Committee for Kaupthing Bank hf.
- The members of the Winding-up Committee are:
 - Mr. Olafur Gardarsson, Supreme Court Attorney and Moratorium Supervisor of the Bank
 - Ms. Feldis L. Oskarsdottir, Attorney to the District Court
 - Mr. David B. Gislason, Attorney to the District Court
- The Winding-up Committee and the Resolution Committee will work together in full cooperation with regard to safeguarding the interests of the Bank's creditors
- The responsibilities of the Winding-up Committee include:
 - calling upon creditors declare their claims against the Bank to the Winding-up Committee
 - setting the period and deadline for filing claims. Such period can be six months long at maximum, counting from the day when a notice is published by the Winding-up Committee regarding the period and deadline for filing claims
 - handling the registration, assessment and recognition of claims
 - decide how creditors' claims are ranked in the order of priority of payment of claims
 - the possible payment of claims following a creditors' meeting which is to be held after the expiry of the deadline for filing claims
- The Winding-up Committee can also challenge and claim rescission of actions of the Bank in accordance with the rules on rescission in the Bankruptcy Act. This entails, with some simplification, that the Winding-up Committee can rescind certain unusual actions of the Bank which took place prior to 15 November 2008 and can claim damages or repayment from parties benefiting from such actions

- The Winding-up committee handles the assessment and recognition of claims. The process is likely to be as follows:
 - Issue of a notice to creditors whereby a period is set for filing claims against the Bank. The period shall commence once a notice has been published in the Legal Gazette (Icel. *Lögbirtingablað*)
 - The period for filing claims will most likely be six months long
 - The end of that period marks a deadline for filing claims. Claims filed after the deadline is passed are cancelled against the Bank unless the criteria for certain exceptions are fulfilled
 - After the period for filing claims has elapsed the Winding-up Committee shall issue a registry of claims and provide information in regard to the recognition or rejection of claims
 - A creditors' meeting is convened to consider the recognition of claims. This meeting shall, according to current legislation, be held within a month from the end of the period for filing claims. More than one may be convened if need be
 - Before a creditors' meeting is held to consider the recognition of claims, information regarding the recognition or rejection of claims shall be made available to creditors
 - It is difficult to estimate how long the process of finalising the recognition of claims will take given the great numbers of creditors and complexity of many of the claims

- The exact method of the process for filing claims has not been outlined. The process is governed by the same provisions of the Bankruptcy Act which govern the filing of claims against an insolvent estate
- One of the main principles of the Bankruptcy Act is the principle of equality of creditors. The Winding-up Committee must however respect certain exceptions to that rule, such as the priority of payment of claims
- The Winding-up Committee has not decided on what kind of verification will be required from the creditors in regard to proof of their claims. It is unlikely that any particular form of verification would automatically be excluded as proof of claim as general principles of Icelandic law regarding the proof of claims apply
- Creditors' claims must however be detailed and inter alia include the amounts claimed against the Bank, including principal, interest and cost. Information regarding the facts on which a creditor bases his claim must also be provided as well as supporting documents

- Meetings convened by the Resolution Committee and meetings convened by the Winding-up Committee handle separate aspects of the Bank's operations. In practice however, these meetings are likely to be held jointly, although different provisions of the Bankruptcy Act may apply depending on which matters are being considered by the creditors' meeting
- After the deadline for filing claims has passed, the Winding-up Committee shall convene a creditors' meeting. The meeting shall, according to current legislation, be held within a month from the expiry of the period for filing claims. One week prior to the meeting, a registry of claims shall be made available to creditors
- Any creditor wishing to protest the stand taken by the Winding-up Committee, with respect to recognition of his claim, shall state objections at a meeting or notify of this in a letter to be received by the Winding-up Committee no later than at that meeting. Likewise, a claimant may challenge the stand taken as regards recognition of other claims, if the recognition of such claims will affect his own interests
- To the extent the a decision of the Winding-up Committee of recognition of a claim is not objected to or challenged, it shall be regarded as finally approved
- The registry of claims shall be presented at the creditors' meeting as well as objections that may have been received
- The Winding-up Committee shall offer explanations to the nature of claims and the reasons for recognition or rejection of claims
- If an objection is raised at the meeting against the Winding-up Committee's position as regards the recognition of a claim, the Winding-up Committee shall endeavour to settle the dispute
- If unsuccessful, the Winding-up Committee shall convene the parties in question to a separate meeting for this purpose
- If the dispute cannot be settled in a separate meeting, the Winding-up Committee shall refer the matter to the District Court of Reykjavík

- Following the conclusion of the first creditors' meeting held after the expiry of the deadline for filing claims, the Winding-up Committee may pay recognized claims. The following provisions apply however:
 - It must be ensured that the assets of the Bank are sufficient to cover a payment of other claims with the same priority of rank and which have not been finally rejected
 - The Winding-up Committee must strive to ensure that all creditors holding recognized claims with the same priority receive payment at the same time, although derogations may be permitted with the approval of creditors whose interests conflict with the relevant payment of the Winding-up Committee
- The Winding-up Committee can however not force the sale of assets for the payment of claims. The Resolution Committee alone is capable of disposing of the Bank's assets in accordance with Act no. 161/2002 on Financial Undertakings as amended by Act no. 44/2009

- The Winding-up Committee also handles a possible scheme of arrangement following an assessment of the Resolution Committee on whether the Bank has enough assets to meet its liabilities. This includes:
 - preparing a proposal for a scheme of arrangement
 - submitting such a proposal to a creditors' meeting and soliciting creditors' approval for the proposal
 - managing the ratification of an approved scheme of arrangement before the District Court of Reykjavík
 - performing such actions as required to enforce a scheme of arrangement

- A scheme of arrangement under Icelandic law, also known as composition of creditors, constitutes the situation when an agreement on settlement or relinquishment of debts is concluded between a debtor and a certain majority of the debtor's creditors, and which is subsequently confirmed in court. A scheme of arrangement is also binding upon creditors who do not participate in the scheme of arrangement, although the effect on creditors varies depending on their claims
- General provisions governing a scheme of arrangement
 - Permission for organizing a scheme of arrangement is sought from the District Court. This does not apply to the Bank as the Winding-up Committee has already been granted such a permission under Act no. 44/2009
 - A debtor must prepare a written petition to the court explaining the debtor's current financial situation, the debtor's assets and liabilities and the need to organize a scheme of arrangement. This does not apply to the Bank, although similar information can be expected to be provided by the Winding-up Committee to the creditors when soliciting their approval
 - A debtor must furthermore submit to the court a written declaration of 25% of the debtor's creditors whereby they consent to the proposed scheme of arrangement. This does not apply to the Bank
- A scheme of arrangement can provide for the following:
 - Complete relinquishment of claims
 - Partial relinquishment of claims
 - Postponement of payment of claims
 - Changed form of payment of claims, e.g. payment in equity in stead of cash

- Any discrimination between creditors proposed by a scheme of arrangement must in general be consented to by the creditors which the scheme of arrangement proposes to discriminate against
- A supervisory agent shall be appointed by the District Court to supervise the organizing of the scheme of arrangement. The supervisory agent shall call on creditors to file their claims within four weeks from the issuing of notice in that regard and a creditors' meeting shall be held within two weeks after the end of the period to file claims. In the Bank's case, no such notice shall be given and instead the Winding-up Committee shall convene a creditor's meeting to vote on a proposed scheme of arrangement at a time it deems appropriate. Such a creditors' meeting will not be held until after the creditors' meeting to consider the recognition of claims has been held and creditors will therefore not have to declare their claims again
- A proposal for a scheme of arrangement shall be deemed approved if supported by the same proportion of votes as the proportion of composition claims to be relinquished according to the proposal (e.g. 70% percent relinquishment would require an approval of 70% of creditors). The percentage refers both to the total number of creditors as well as total amounts carrying voting rights, not just those attending the creditors' meeting
- A minimum of 60% is always required however for any relinquishment. This percentage refers both to the total number of creditors as well as total amounts carrying voting rights, not just those attending the creditors' meeting
- If neither proportional nor total relinquishment is proposed, a composition proposal shall be deemed approved if supported by 60% of both the total number of creditors as well as total amounts carrying voting rights, not just those attending the creditors' meeting

- Votes are generally determined so that each creditor with voting rights carries one vote, or a proportion of a vote if two or more creditors hold a claim together, when determining voting rights by numbers of creditors
- When voting by amounts, the total amounts of claims of all creditors with voting rights shall be added together and each claim's percentage of the aggregate amount determined. Each creditor with voting rights shall exercise a voting right corresponding to his percentage
- Not all claims against a debtor can carry voting rights regarding a proposal for a scheme of arrangement. These include inter alia priority claims and claims carrying set off rights against the debtor
- If a scheme of arrangement is approved, a confirmation of the scheme must be filed for from the District Court within a week from final approval of the scheme of arrangement by a creditors' meeting
- A scheme of arrangement comes into force when the court has confirmed it. At that time it becomes binding on creditors
- The settlement of a claim in accordance with the scheme of arrangement shall have the same effect as performance of the original obligation, i.e. to absolve the debtor of obligations, to the extent provided by the scheme of arrangement

Next Steps & Conclusion

Key steps	Estimated timing
Ongoing discussions between RC, Morgan Stanley, Thorsteinn Thorsteinsson and Hawkpoint	
Morgan Stanley to work with the RC and the Bank and to consult with the ICC/creditors and report on developed restructuring proposals	
Timeline for the terms of financial instrument based on the net asset valuation to be announced	15 June 2009
The nine-month Moratorium period of the Bank granted on 19 February 2009 ends	13 November 2009

FME	The Icelandic Financial Supervisory Authority
ICC	Informal Creditors' Committee
RC	Resolution 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.
ICB	The Central Bank of Iceland

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