
Creditors' Report Update Meeting

London, 9 March 2011



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Welcome Address & Introduction



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



- The ResCom at its own initiative calls for this informal meeting which is open for all creditors
 - It is not a part of the winding-up process of the Bank handled by the Winding-up Committee
 - The purpose of the meeting is to go through the highlights of the latest updates of the creditors' report and clarify certain areas of interest to creditors based on submitted questions. This meeting is part of:
 - Series of meetings undertaken to present the Bank's matters on a regular basis to all creditors
 - Information provided well beyond any legal obligations
 - Solely part of continuous efforts to step up relations with public creditors
 - To ensure this meeting is concise and informative, all creditors were given an opportunity to submit questions in advance by the stated deadline
 - This arrangement ensures that there is enough time to prepare as clear and concise answers as possible
 - Each chapter includes a summary of the questions covered and then answers provided during the presentation
- ***No questions will be allowed during or after the presentation***
- ***Questions on topics that do not relate to the recent updates of the Creditors' Report will not be addressed. All questions have been noted and may be addressed in later updates, meetings and in the Q&A section on the Bank's website in due course***

Arion Bank



- Separate presentation from Arion Bank available on www.kaupthing.com.
- What would the estimated impact to Arion Bank's shareholders' equity be if all exchange rate-indexed loans (personal, corporate, etc.) were to be re-characterized into ISK as of 12/2010?
 - Please refer to the Arion Bank's separate presentation and note 117 to the Consolidated Financial Statements of Arion Bank, available on its website, www.arionbanki.is

Winding-up Committee

- The Claiming Process -

Total Outstanding Claims as at YE 2010



- Highly complex process that has advanced significantly in H2 2010.
 - A total of 28.167 claims lodged claims as at 30 December 2009, amounting to ISK 7.316bn
 - As at 31 December 2010, the total amount of claims amounted to ISK 6.196bn
 - When adjusted for finally rejected claims, total outstanding claims amounts to ISK 5.502bn as at YE 2010
 - At an open meeting on 15th March 2010, a target was set to complete assessment by 3 December 2010
 - That objective has been reached as the Winding-up Committee has finalized its assessment and decision on all the claims lodged against the bank.

Type	Total	Adjusted 109	Adjusted 110	Adjusted 111	Adjusted 112	Adjusted 113	Adjusted 114
Guarantees	261.848	962	-	-	26.909	233.895	82
Derivatives	490.729	25.164	170	5.452	117	440.967	18.859
Miscellaneous	170.787	5.565	12.805	-	-	152.416	1
Deposit Agreements	310.891	-	-	-	5.265	300.942	4.684
Deposits	29.070	88	-	-	5.181	23.773	28
Reimbursements	1.402	-	-	-	1.065	333	4
Loan Agreements	446.728	-	-	12.872	-	429.820	4.036
Invoices	3.265	58	643	-	-	2.537	27
Contracts	47.740	-	-	-	-	47.740	-
Damages	517.383	26.511	219.297	-	995	209.628	60.952
Bonds	3.218.643	2.498	-	10.817	3.047	3.051.113	151.168
Interests	3.358	2	-	-	183	3.144	29
Total	5.501.844	60.848	232.915	29.141	42.762	4.896.308	239.870

All amounts on the following slides are based on the claim registry as at YE 2010.

Amounts in table in mISK.

Adjusted outstanding claims

- In several cases the Winding-up Committee accepts a claim with different priority than lodged. **Adjusted amounts** in the table below are based on the Winding-up Committee's decisions and represent the total amounts of all claims that decisions have been made under respective article, i.e. accepted or rejected. **Adjusted outstanding claims** represent the *Adjusted amounts* under each article excluding finally rejected claims.

Article	Total	Art. 109	Art. 110	Art. 111	Art. 112	Art. 113	Art. 114
Total lodged	6.195.903	91.979	221.849	112.883	304.057	4.912.371	552.764
Adjusted amount	6.195.903	68.880	233.001	29.480	82.930	5.228.848	552.764
Accepted	2.882.669	1	10.172	11.654	13	2.860.829	-
Thereof, finally	350.783	1	-	-	2	350.780	-
Thereof, in dispute	2.531.886	-	10.172	11.654	11	2.510.049	-
Rejected*	3.313.234	68.879	222.829	17.826	82.917	2.368.019	552.764
Thereof, finally	694.059	8.032	86	339	40.168	332.540	312.894
Thereof, in dispute	2.619.175	60.847	222.743	17.487	42.749	2.035.479	239.870
Adjusted outstanding claims	5.501.844	60.848	232.915	29.141	42.762	4.896.308	239.870

*Claims that have been rejected, moved under Art. 114 or where no decision will be taken.

- As at YE 2010, the total amount of claims registered in the list of claims, amounted to ISK 6.196bn. The list of claims includes all claims lodged against the Bank except those claims which have been filed and later withdrawn by creditors.
- As shown in the table above, total amount of accepted claims as at YE 2010 amounted to ISK 2.883bn, thereof ISK 351bn finally accepted and ISK 2.532bn in dispute. Accepted priority and secured claims (Art. 109- Art. 112) amounted to ISK 22bn. As at YE 2010, rejected claims amounted to ISK 3.313bn, thereof ISK 694bn finally rejected and ISK 2.619bn in dispute.

Amounts in table in mISK.

■ Finally accepted claims by article and type

Type	Total	Art. 109	Art. 110	Art. 111	Art. 112	Art. 113
Guarantees	1.648	-	-	-	-	1.648
Derivatives	9.047	-	-	-	-	9.047
Miscellaneous	1.587	1	-	-	-	1.586
Deposit Agreement	1.059	-	-	-	-	1.059
Deposits	-	-	-	-	-	-
Reimbursements	2	-	-	-	2	-
Loan Agreements	194.168	-	-	-	-	194.168
Invoices	585	-	-	-	-	585
Contracts	2	-	-	-	-	2
Damages	-	-	-	-	-	-
Bonds	141.889	-	-	-	-	141.889
Interests	796	-	-	-	-	796
Total Accepted	350.783	1	-	-	2	350.780

■ Accepted claims in dispute by article and type

Type	Total	Art. 109	Art. 110	Art. 111	Art. 112	Art. 113
Guarantees	17.880	-	-	-	-	17.880
Derivatives	17.663	-	-	-	-	17.663
Miscellaneous	72.593	-	10.144	-	-	62.449
Deposit Agreement	234.101	-	-	-	-	234.101
Deposits	-	-	-	-	-	-
Reimbursements	37	-	-	-	11	26
Loan Agreements	230.599	-	-	11.654	-	218.945
Invoices	141	-	21	-	-	120
Contracts	7	-	-	-	-	7
Damages	43	-	7	-	-	36
Bonds	1.958.352	-	-	-	-	1.958.352
Interests	470	-	-	-	-	470
Total Accepted	2.531.886	-	10.172	11.654	11	2.510.049

Amounts in mISK.

Rejected Claims – Final and in Dispute



■ Finally rejected claims by article and type

Type	Total	Art. 109	Art. 110	Art. 111	Art. 112	Art. 113	Art. 114
Guarantees	37.830	325	-	-	36.006	223	1.276
Derivatives	3.165	960	-	-	-	2.201	4
Miscellaneous	78	5	4	-	12	57	-
Deposit Agreement	2	-	-	-	-	2	-
Deposits	16.810	1.612	-	-	3.132	12.063	3
Reimbursements	231	-	-	1	156	69	5
Loan Agreements	13.434	-	-	-	-	11.831	1.603
Invoices	563	-	4	-	8	330	221
Contracts	9	-	1	-	-	8	-
Damages	2.124	16	77	-	6	2.000	25
Bonds	617.355	5.049	-	293	384	301.935	309.694
Interests	2.458	65	-	45	464	1.821	63
Total Accepted	694.059	8.032	86	339	40.168	332.540	312.894

■ Rejected claims in dispute by article and type

Type	Total	Art. 109	Art. 110	Art. 111	Art. 112	Art. 113	Art. 114
Guarantees	242.321	962	-	-	26.910	214.367	82
Derivatives	464.021	25.164	171	5.452	117	414.258	18.859
Miscellaneous	96.607	5.564	2.660	-	-	88.382	1
Deposit Agreement	75.731	-	-	-	5.265	65.782	4.684
Deposits	29.069	88	-	-	5.180	23.773	28
Reimbursements	1.362	-	-	-	1.051	307	4
Loan Agreements	21.961	-	-	1.218	-	16.706	4.037
Invoices	2.539	58	622	-	-	1.832	27
Contracts	47.729	-	-	-	-	47.729	-
Damages	517.342	26.511	219.290	-	996	209.593	60.952
Bonds	1.118.401	2.498	-	10.817	3.048	950.871	151.167
Interests	2.092	2	-	-	182	1.879	29
Total Accepted	2.619.175	60.847	222.743	17.487	42.749	2.035.479	239.870

Amounts in mISK.



- As shown in the tables before, adjusted outstanding priority and secured claims (Art. 109- Art. 112) as at YE 2010 amounted to ISK 366bn, thereof are secured claims (Art. 111) amounting to ISK 29bn.
- Adjusted outstanding priority claims against unpledged assets amounts therefore to ISK 337bn as at YE 2010, but in addition, ISK 211bn of priority claims have been moved under Art. 113 but objected by claimant and could therefore be recognized as priority claims. As a result, maximum amount of potential priority claims against unpledged assets* amounted to ISK 548bn as at YE 2010.
- There has been a continued progress in reducing priority claims. As at 8 March 2011, the maximum amount of potential priority claims against unpledged assets* amounted to ISK 537bn.

*After adjusting for lodged priority claims that have been finally rejected (not in dispute) or finally accepted as general claims with reference to Art. 113. Furthermore, this number is also adjusted for priority claims against pledged assets or third party assets which would not be repaid prior to general claims from the pool of unpledged assets in the case they were recognized.

10 Largest Claimants under each Article

10 Largest Claimants under Article 109



- Tables in this chapter outlining the 10 largest claimants under each article can be found on a name basis at the Winding-up Committee's secured website for creditors.
- All amounts in the table below relate to claims filed by the 10 largest claimants under article 109.

Claimants	Total lodged under Art. 109	Accepted under Art. 109-112	Accepted under Art. 113	Amount rejected*	Final decision
1	24.297	-	-	24.297	No
2	19.058	9.965	-	9.093	No
3	9.386	-	7.623	1.763	No
4	8.178	-	-	8.178	No
5	7.505	-	-	7.505	No
6	3.972	-	-	3.972	Yes
7	3.841	-	-	3.841	No
8	2.296	-	-	2.296	No
9	1.937	-	-	1.937	Yes
10	1.860	-	-	1.860	No
Total 10 largest	82.330	9.965	7.623	64.742	

- Total claims registered under article 109 in the list of claims as at YE 2010 amounted to ISK 92bn.
- Total outstanding claims under article 109 as at YE 2010 amounted to ISK 61bn.

* Claims here under have been rejected or moved under Art. 114 (subordinated claims). With reference to the final sentence of the first paragraph of Article 119 of the Act on Bankruptcy, etc., No. 21/1991, no decision will be made on subordinate claims.

All amounts in table in mISK.

10 Largest Claimants under Article 110



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

Claimants	Total lodged under Art. 110	Accepted under Art. 110-112	Accepted under Art. 113	Amount rejected*	Final decision
1	218.777	-	-	218.777	No
2a	66	-	-	66	Yes
2b	2.528	200	37	2.290	No
3	170	-	-	170	No
4	135	-	-	135	No
5	63	-	51	11	Yes
6	55	-	-	55	No
7	16	-	-	16	Yes
8	7	-	7	-	Yes
9	7	-	-	7	No
10	7	-	3	4	Yes
Total 10 largest	221.831	200	99	221.532	

- Total claims registered under article 110 in the list of claims as at YE 2010 amounted to ISK 222bn.
- Total outstanding claims under article 110 as at YE 2010 amounted to ISK 233bn.

* Claims here under have been rejected or moved under Art. 114 (subordinated claims). With reference to the final sentence of the first paragraph of Article 119 of the Act on Bankruptcy, etc., No. 21/1991, no decision will be made on subordinate claims.

All amounts in table in mISK.

10 Largest Claimants under Article 111



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

Claimants	Total lodged under Art. 111	Accepted under Art. 111-112	Accepted under Art. 113	Amount rejected*	Final decision
1a	79.603	-	71.920	7.683	Yes
1b	12.872	11.654	-	1.218	No
2	6.777	-	-	6.777	No
3	3.644	-	-	3.644	No
4	3.042	-	2.614	428	No
5	2.873	-	-	2.873	No
6	1.467	-	-	1.467	No
7	679	-	-	679	No
8	373	-	-	373	No
9	319	-	273	46	No
10	258	-	-	258	No
Total 10 largest	111.908	11.654	74.808	25.446	

- Total claims registered under article 111 in the list of claims as at YE 2010 amounted to ISK 113bn.
- Total outstanding claims under article 111 as at YE 2010 amounted to ISK 29bn.

* Claims here under have been rejected or moved under Art. 114 (subordinated claims). With reference to the final sentence of the first paragraph of Article 119 of the Act on Bankruptcy, etc., No. 21/1991, no decision will be made on subordinate claims.

All amounts in table in mISK.

10 Largest Claimants under Article 112



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

Claimants	Total lodged under Art. 112	Accepted under Art. 112	Accepted under Art. 113	Amount rejected*	Final decision
1	86.531	-	86.529	2	No
2	52.246	-	52.246	-	No
3	35.999	-	-	35.999	Yes
4	29.640	-	26.124	3.517	No
5	26.909	-	-	26.909	No
6	13.180	-	13.180	-	No
7	9.309	-	8.782	527	No
8	8.763	-	8.763	-	No
9	3.921	-	3.921	-	No
10	2.942	-	2.942	-	No
Total 10 largest	269.441	-	202.486	66.955	

- Total claims registered under article 112 in the list of claims as at YE 2010 amounted to ISK 304bn.
- Total outstanding claims under article 112 as at YE 2010 amounted to ISK 43bn.

* Claims here under have been rejected or moved under Art. 114 (subordinated claims). With reference to the final sentence of the first paragraph of Article 119 of the Act on Bankruptcy, etc., No. 21/1991, no decision will be made on subordinate claims.

All amounts in table in mISK.

10 Largest Claimants under Article 113



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

Claimants	Total lodged under Art. 113	Accepted under Art. 113	Amount rejected*	Final decision
1	597.070	578.105	18.965	No
2	237.167	-	237.167	No
3	163.193	131.366	31.827	No
4a	68.048	65.288	2.760	Yes
4b	89.027	-	89.027	No
5	136.941	56.843	80.098	No
6	130.090	7.258	122.832	No
7	125.714	84.386	41.328	No
8	115.773	-	115.773	No
9	100.189	45.033	55.157	No
10	94.252	21.687	72.565	No
Total 10 largest	1.857.463	989.965	867.498	

- Total claims registered under article 113 in the list of claims as at YE 2010 amounted to ISK 4.912bn.
- Total outstanding claims under article 113 as at YE 2010 amounted to ISK 4.896bn.

* Claims here under have been rejected or moved under Art. 114 (subordinated claims). With reference to the final sentence of the first paragraph of Article 119 of the Act on Bankruptcy, etc., No. 21/1991, no decision will be made on subordinate claims.

All amounts in table in mISK.

Overview of the Bank's Statement of Assets



■ Results:

- Excluding FX fluctuations, the real value increase of the Bank's total assets* amounted to ISK 135,1bn in 2010
- The Bank's functional currency is the Icelandic krona (ISK). The ISK appreciated by 11,9% in 2010. The sharp appreciation of the ISK has significant negative impact on the Bank's reported asset values
- Including FX fluctuations, the value of the Bank's total assets* increased by ISK 48bn in 2010
- Primary contributors to the real value increase in 2010 are Loans to customers, Shares and instruments with variable income and Investments in subsidiaries
- Fee income generated from Loans to customers amounted to ISK 1,3bn in 2010 and fully covered salaries and salary related cost of the Bank's employees and administrators' cost in 2010
- Cash in hand amounted to ISK 231,1bn at YE 2010 and increased by ISK 55bn in 2010 despite negative impact from FX fluctuations of ISK 16,6bn and ISK 14,5bn cash payment as part of Arion Bank's capitalization
- Total operating costs in 2010 were approx. 0.29% of the total carrying value as at YE 2010

* Total assets at fair value net of pledged positions, claims for the Bank's admin cost and claims relating to agreements entered into after the commencement of the ResCom.

Development of the Bank's Asset Base* at Fair Value in 2010



Assets	ISK million				EUR million			
	31.12.2010	30.06.2010	31.12.2009	% change (YoY)	31.12.2010	30.06.2010	31.12.2009	% change (YoY)
Cash in hand	231.128	195.456	176.066	31,3%	1.503	1.247	979	53,4%
Loans to and claims against credit institutions	34.136	38.650	53.481	-36,2%	222	247	297	-25,4%
Loans to customers	279.249	304.013	366.894	-23,9%	1.815	1.939	2.041	-11,0%
Bonds and debt instruments	7.456	7.178	9.539	-21,8%	48	46	53	-8,6%
Shares and instruments with variable income	55.470	57.521	28.849	92,3%	361	367	160	124,7%
Derivatives and unpaid derivatives	95.166	114.476	118.812	-19,9%	619	730	661	-6,4%
Investments in subsidiaries	111.939	113.663	27.276	310,4%	728	725	152	379,6%
Other assets	2.438	2.522	7.540	-67,7%	16	16	42	-62,2%
Total assets at fair value	816.982	833.479	788.457	3,6%	5.312	5.316	4.386	21,1%
Less: Claims for the Bank's admin cost and claims relating to agreements entered into after the commencement of the ResCom.....	(26.044)	(30.960)	(45.545)	-42,8%	(169)	(197)	(253)	-33,2%
Total assets*	790.938	802.519	742.912	6,5%	5.142	5.118	4.132	24,4%

- The value of the Bank's total assets* increased in 2010 by ISK 48bn or 6,5% and by EUR 1.010m or 24,4% in EUR.

* Total assets at fair value net of pledged positions, claims for the Bank's admin cost and claims relating to agreements entered into after the commencement of the ResCom.

All amounts in table in mISK and mEUR.

Statement of Assets on Carrying Value and Fair Value as at YE 2010



Assets	Carrying value 31.12.2010			Fair value 31.12.2010	
	Total	Unpledged	Provision	Unpledged	Weighted average
Cash in hand	231.128	231.128	-	231.128	100,0%
Loans to and claims against credit institutions	246.588	67.439	(33.303)	34.136	50,6%
Loans to customers*	1.148.911	1.148.911	(869.662)	279.249	24,3%
Bonds and debt instruments	54.385	7.456	-	7.456	100,0%
Shares and instruments with variable income	187.266	55.470	-	55.470	100,0%
Derivatives and unpaid derivatives	183.586	183.586	(88.420)	95.166	51,8%
Investments in subsidiaries	128.155	111.939	-	111.939	100,0%
Other assets	71.109	71.109	(68.671)	2.438	3,4%
Total assets	2.251.128	1.877.038	(1.060.056)	816.982	43,5%
Total assets (mEUR)	14.635	12.203	(6.891)	5.312	43,5%

- Total assets under management as at YE 2010 amounted to ISK 2.251bn at carrying value*, including assets pledged to counterparties amounting to ISK 374bn.
- Unpledged total assets amounted to ISK 1.877bn at carrying value* and ISK 817bn at fair value.

* Late in 2010, the Bank's financing of the Middlesex Hospital site (real-estate development in Fitzrovia, London) was sold for a 50% interest in a joint venture partnership ("JV"). The compensation has lower carrying value than the carrying value of the initial financing which the Bank provided in 2006. Subsequently, the carrying value for Loans to customers at 31 December 2010 has been adjusted downwards by the difference, i.e. ISK 13.760 million.

All amounts in table in mISK and mEUR.

Development of the Bank's Asset Base at Fair Value in 2010



Assets	Unpledged fair value at 31.12.2010	Net principal payments	Miscellaneous (FX fluctuations, reclassification, etc)	Real value changes	Kaupskil equity injection	Unpledged fair value at 31.12.2009	Interests, fees and dividend in 2010
Cash in hand	231,1	84,6	-16,6	1,5	-14,5	176,1	1,5
Loans to and claims against credit institutions	34,1	-6,8	-12,6			53,5	0,4
Loans to customers	279,2	-51,9	-34,9	27,9	-28,8	366,9	11,7
Bonds and debt instruments	7,5	-2,9	0,4	0,5		9,5	0,9
Shares and instruments with variable income	55,5	-3,2	-7,4	37,3		28,8	0,2
Derivatives and unpaid derivatives	95,2	-6,7	-15,7	-1,2		118,8	
Investments in subsidiaries	111,9	-5,4	-2,9	26,8	66,1	27,3	1,2
Other assets	2,4	-4,2	-0,9			7,5	
Total assets at fair value	816,9	3,5	-90,6	92,8	22,8	788,4	
Less: claims for the Bank's admin cost and claims relating to agreements entered into after commencement of the ResCom	-26,0			19,5		-45,5	
Total assets*	790,9	3,5	-90,6	112,3	22,8	742,9	15,9
Operating cost in the period		6,5					
Items in the Income statement that affect Cash in hand (interest, dividend and fees received in 2010, etc)		-14,0					
Loan repayments into temporary pledged bank accounts		4,0					

■ Excluding FX fluctuations, the real value increase of the Bank's total assets* amounted to ISK 135,1bn in 2010.

- ISK 37,3bn from Shares and instruments with variable income
- ISK 27,9bn from Loans to customers
- ISK 26,8bn from Investments in subsidiaries
- ISK 22,8bn due to overcollateralization of pledged positions realized in the Kaupskil equity injection
- ISK 19,5bn in reduced priority liabilities (compensation instrument with Arion Bank)
- ISK 0,8bn from other asset classes

■ Further explanations are provided in the respective chapters.

* Total assets at fair value net of pledged positions, claims for the Bank's admin cost and claims relating to agreements entered into after the commencement of the ResCom.

All amounts in table in bnISK.



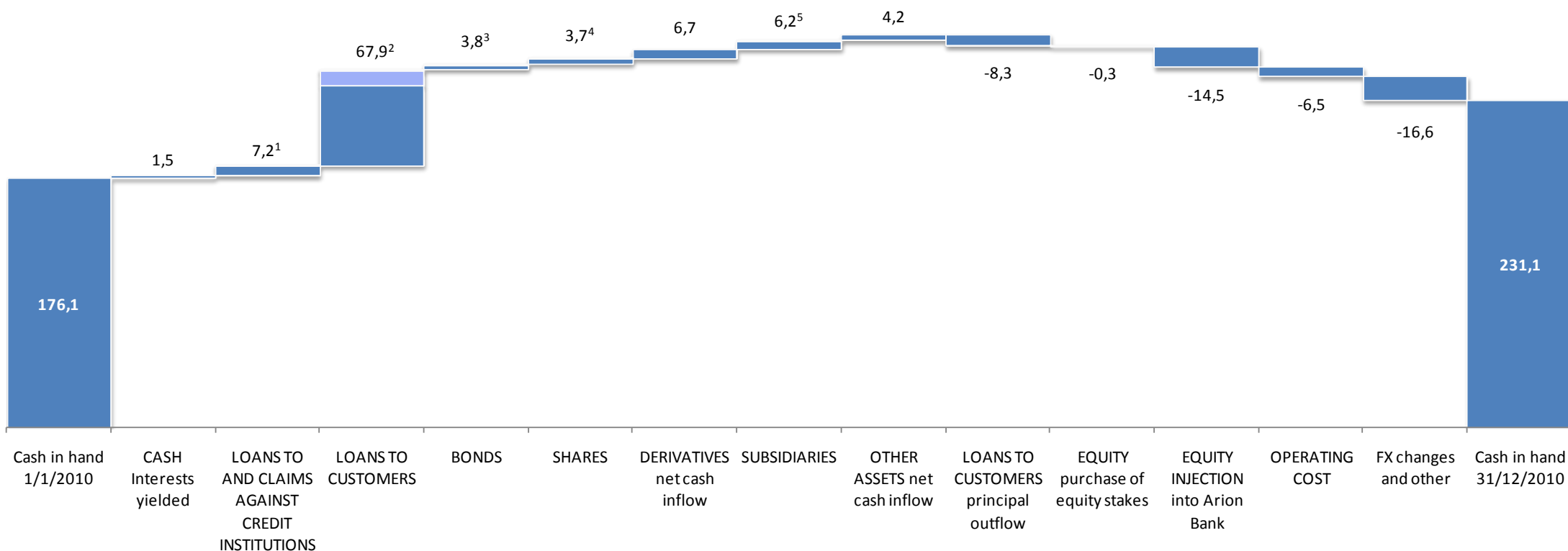
- What is the distribution of assets subject to set-off per asset class in the Statement of Assets as at YE 2010?
 - *As stated in chapter 2.1.1 Valuation methodology, set-off claims are expected to primarily affect two asset classes, i.e. Derivatives and unpaid derivatives and Loans to and claims against credit institutions. At this point in time, impacts on other asset classes are expected to be smaller and around ISK 5-10bn in total.*

Cash in Hand



- The cash reserve amounted to ISK 231,1bn at YE 2010 and increased by ISK 55bn in 2010.
 - Main factors contributing to **increase** in Cash in hand in 2010:
 - Inflow related to Loans to customers of ISK 67,9bn
 - Inflow related to Bonds and debt instruments and Shares and instruments with variable income of ISK 7,5bn
 - Inflow related to Loans to and claims against credit institutions of ISK 7,2bn
 - Inflow related to Investments in subsidiaries of ISK 6,2bn
 - Main factors contributing to **decrease** in cash in hand in 2010:
 - Outflow due to ISK 14,5bn of cash injection into Arion Bank as part of its capitalization in January 2010
 - Outflow of ISK 8,3bn to support assets in Loans to customers
 - Operating costs in 2010 of ISK 6,5bn
 - Further breakdown of the development of Cash in hand in 2010 is provided on the next slide.
- As the ISK appreciated substantially against most major currencies, FX changes amounting to ISK 16,6bn have a negative impact on the cash reserve as it is reported in ISK.
- In 2008 and 2009, the Bank repaid priority claims related to deposits amounting to approx ISK 130bn.

Cash Flow in 2010



- **1** Loans to and claims against credit institutions = ISK 7,2bn: Principal payments (6,8) and interest payments (0,4)
- **2** Loans to customers = ISK 67,9bn: Principal payments (56,1), interest payments (10,4) and fee income (1,3)
- **3** Bonds = ISK 3,8bn: Principal payments (2,9) and interest payments (0,9)
- **4** Shares = ISK 3,7bn: Realization of equity stakes (3,5) and dividend payments (0,2)
- **5** Subsidiaries = ISK 6,2bn: Liquidation of NBS DCF (5,4) and dividend payments (0,8)

Amounts in bnISK.

Cash in Hand – Currency Breakdown



- Cash in hand in respective currencies as at 31.12.2010, 30.06.2010 and 31.12.2009.

Cash in hand				Change in	
	31.12.2010	30.06.2010	31.12.2009	currency (YoY)	% change (YoY)
EUR	438	361	227	211	93,0%
GBP	271	263	204	67	32,8%
ISK	9.212	7.475	22.999	-13.787	-59,9%
NOK	1.430	1.397	1.222	208	17,0%
SEK	2.752	1.629	1.410	1.342	95,2%
USD	221	180	137	84	61,3%
CAD	3	3	3	0	0,0%
CHF	15	11	7	8	114,3%
DKK	131	85	31	100	322,6%
JPY	326	324	317	9	2,8%

- The interests yielded on Cash in hand in 2010 amounted to ISK 1,5bn

All amounts in table in million of respective currencies as at 31.12.2010, 30.06.2010 and 31.12.2009.

Loans to and Claims against Credit Institutions



- As of YE 2010, the carrying value of Loans to and Claims Against Credit institutions was ISK 247bn. Can you please provide the breakdown of this amount into Bank Accounts, Subordinated Loans to Subsidiaries and Other Loans? The report provides this kind of breakdown at fair value only.
 - *Please refer to note 4 accompanying the Statement of Assets in the Creditors' Report – March Update on page 24 where this breakdown is provided.*
- Section 2.1.3 Loans to and Claims Against Credit Institutions states that “included in the collateral accounts below is collateral posted by the Bank to counterparties in secured funding agreements, primarily repurchase agreements.” The exhibits below this statement then show ISK 124bn subordinated loans to subsidiaries as “pledged.” Was this asset actually pledged in a repo transaction as stated above?
 - *The aforementioned collateral accounts are included in the sub-class Bank accounts as pledged which amounts to ISK 55bn. As stated on slide 17 of recently published Financial Information - Supplemental Material, ISK 47bn is collateral which was posted by the Bank to counterparties in secured funding agreements.*
 - *As stated in the recently published Financial Information - Supplemental Material, the subordinated loan which amounts to ISK 124,2bn and is classified as fully pledged, is to the Banks subsidiary Kaupthing Mortgage Institutional Investor Fund and is related to the issuance and structure of Kaupthing's covered bonds. This subordinated loan, is not pledged as such to any counterparty, but is subject to netting within the structure and therefore not classified among unpledged assets.*
- The latest report shows ISK 15,4bn in subordinated loans to subsidiaries. According to the supplementary material, this related to an EUR 100 million subordinated loan granted to FIH. Why is the carrying value of this loan listed as ISK 44.202 million in the financial statements if the amount that will be repaid is only ISK 15.392 million? Is the ISK 44.202 million comprised of something other than the aforementioned loan to FIH?
 - *This includes subordinated loans to other subsidiaries as well which are fully provisioned for.*



- I have a problem with pledged accounts on asset side and claims under 111 mark (covered, pledged claims). Pledged assets amount is ISK 374bn according to your report but registered claims under 111 have reached ISK 113bn of which ISK 10bn is accepted. Does it mean there is a gap between pledged assets and pledged claims?
 - *Please refer to Chapter 2.2 Overview of FY 2010 Statement of Assets on page 32 of the Creditors' Report – March Update.*



- Loans to and claims against credit institutions amounted to ISK 213,3bn at fair value and ISK 246,6bn at carrying value at YE 2010. This asset class is broken down in the tables below at fair value by types of accounts.
 - Unpledged loans to and claims against credit institutions amounted to ISK 34,1bn at fair value and decreased by ISK 19,4bn in 2010
 - The decrease in unpledged Bank accounts is mainly due to payments from counterparties to the Bank in 2010 of ISK 7,2bn and negative FX fluctuations

Loans to and claims against credit institutions	Total 31.12.2010	Pledged 31.12.2010	Unpledged 31.12.2010	Unpledged 30.06.2010	Unpledged 31.12.2009	% change (YoY)
Bank accounts	72.346	54.991	17.355	21.580	34.590	-50%
Subordinated loans to subsidiaries	139.550	124.158	15.392	15.688	17.983	-14%
Other loans	1.389	0	1.389	1.382	908	53%
Loans to and claims against credit institutions	213.285	179.149	34.136	38.650	53.481	-36%
Loans to and claims against credit institutions (mEUR)	1.387	1.165	222	247	297	-25%

- ISDA collateral, i.e. cash collateral associated with derivative liabilities posted by the Bank with ISDA counterparties, has been shown in previous financial statements as pledged in this asset class, under the sub class collateral accounts. In this statement, the ISDA collateral accounts have been moved from this asset class and netted against the underlying derivative liabilities they are connected with. The same has been done for past periods to facilitate like-for-like comparison. Included in pledged Bank accounts below is collateral posted by the Bank to counterparties in secured funding agreements, primarily repurchase agreements.

All amounts in table in mISK unless otherwise specified.

Loans to Customers



- Loans to customers amounted to ISK 279,2bn at fair value and ISK 1.148,9bn at carrying value at YE 2010
- The Europe and Nordic portfolios are actively managed by the asset management team and most of the loans have underlying operations or assets
- The loans in the NOA portfolio consist primarily of non-operating assets
 - The portfolio is under the supervision and management of the Inspection Committee and undergoes thorough revision by the Committee

Loans to customers	Carrying value	Fair value	Weighted average	Carrying value	Fair value	Weighted average	Carrying value	Fair value	Weighted average
		31.12.2010			30.06.2010			31.12.2009	
Europe*	196.506	141.460	72,0%	243.421	146.604	60,2%	325.803	176.033	54,0%
Nordic	157.169	98.688	62,8%	179.489	120.627	67,2%	231.377	152.294	65,8%
NOA	795.236	39.101	4,9%	810.806	36.782	4,5%	707.983	38.567	5,4%
Pledged	-	-	-	-	-	-	107.917	84.054	77,9%
Loans to customers	1.148.911	279.249	24,3%	1.233.716	304.013	24,6%	1.373.080	450.948	32,8%
Loans to customers (mEUR)	7.469	1.815	24,3%	7.869	1.939	24,6%	7.638	2.508	32,8%

* Late in 2010, the Bank's financing of the Middlesex Hospital site (real-estate development in Fitzrovia, London) was sold for a 50% interest in a joint venture partnership ("JV"). The compensation has lower carrying value than the carrying value of the initial financing which the Bank provided in 2006. Subsequently, the carrying value for Loans to customers, Europe portfolio, at 31 December 2010 has been adjusted downwards by the difference, i.e. ISK 13.760 million.



- Loans to customers -business and industrial products. Carrying value has increased by ISK 4bn but fair value has reduced. Please explain.
 - *Principal payments within Business and industrial products amounted to ISK 3,3bn in H2 2010, all assets with relatively high fair value percentages.*
 - There was also a reclassification of one asset within this sector, previously classified as a holding company, with a carrying value of ISK 10,9bn and a relatively low fair value percentage.*

- Could you please provide a breakdown of carrying value that is attributable to accrued default interest (or any accrued interest or fees) for each of the loan categories that you currently show. It would be helpful to know the fair value of loans to customers as a percentage of a face or nominal amount of the loans, and not just as a percentage of carrying value, where carrying value includes interest accruals.
 - *Accrued, due and penalty interest amounted to ISK 79bn, thereof, ISK 69bn from the NOA portfolio. The table below gives the fair value as a percentage of principal amount (excludes accrued, due and penalty interest)*

Portfolio	Principal (mISK)	Fair value (mISK)	Fair value / principal
Europe	188.231	141.460	75,2%
Nordic	154.816	98.688	63,7%
NOA	726.625	39.101	5,4%
Total	1.069.672	279.249	26,1%

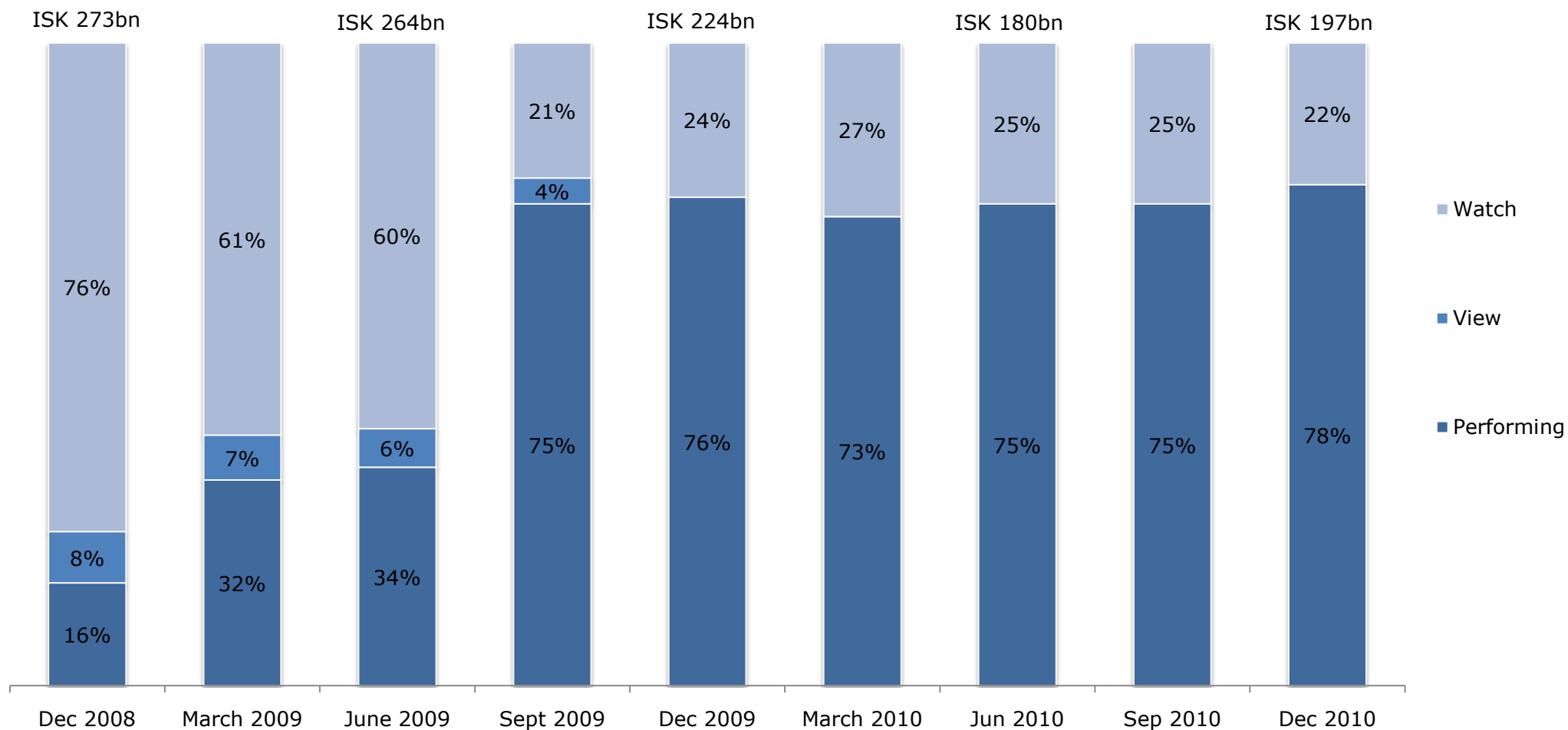


- The fair value of Loans to customers amounted to ISK 279,2bn and decreased by ISK 171,7bn
 - The decrease is primarily driven by transfer of loans to Arion Bank, inflow due to principal repayments of ISK 51,9bn and negative FX fluctuations of ISK 34,9bn
- Real value increase in 2010, excluding FX fluctuations, related to Loans to customers amounted to ISK 27,9bn
 - Europe portfolio: ISK 141,4bn at fair value – real value increase in 2010 ISK 9,5bn
 - Nordic portfolio: ISK 98,7bn at fair value – real value increase in 2010 ISK 12,3bn
 - NOA portfolio: ISK 39,1bn at fair value – real value increase in 2010 ISK 6,1bn

Loans transferred to Arion Bank

- In January 2010, the following loans were injected into Arion Bank as part of the Bank's equity injection into Arion Bank:
 - A portfolio amounting to ISK 84,1bn (at fair value) which consisted of a portfolio of ISK mortgage loans, FX mortgage loans and loans to Icelandic municipalities, organizations and other government related entities, which had previously been pledged by the Bank to the Central Bank of Iceland
 - Loans from the Nordic and Europe portfolios ISK 28,8bn (at fair value)

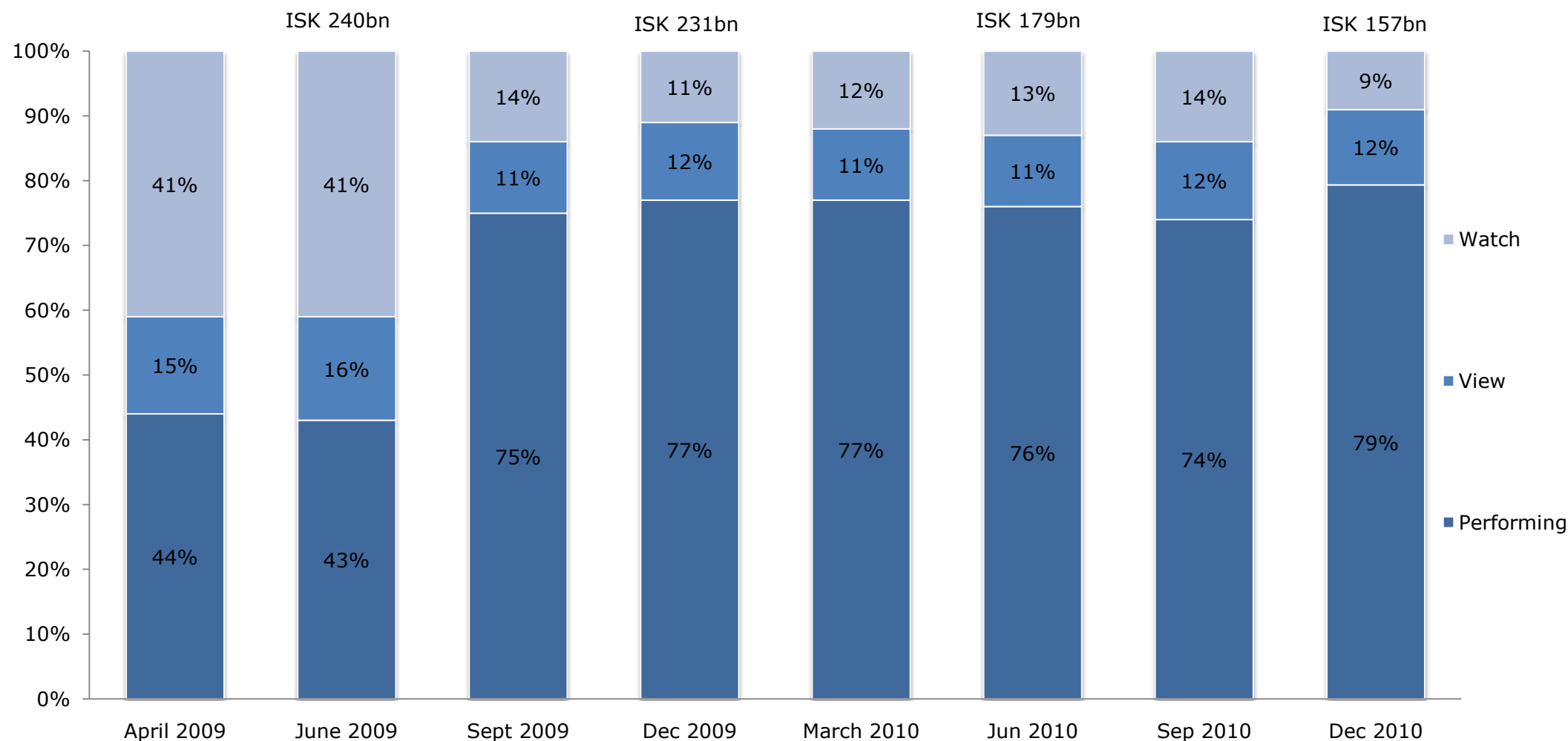
Europe Portfolio at Carrying Value – Performance



The Bank's financing of the former Middlesex Hospital site (real-estate development in Fitzrovia, London) was excluded in previous periods as the Bank held also all the equity. The carrying value for the Middlesex project is included in Dec 2010, but is adjusted downwards by ISK 13.760 million as explained in the Statement of Assets, note 8.

For definition of watch, view and performing, see Appendix.

Nordic Portfolio at Carrying Value – Performance



For definition of watch, view and performing, see Appendix.



- The decrease in carrying value in the Europe and Nordic loan portfolios in 2010 is primarily driven by:
 - Principal repayments in 2010, mainly from performing loans
 - Considerable FX fluctuations 2010 which result in a decrease in the carrying value as it is reported in ISK
 - Transfer of loans to Arion Bank of 28,8bn
 - Debt-to-equity conversions implemented in 2010 of ISK 13,2bn which reduced the carrying value accordingly
 - Write offs in 2010 amounted to ISK 34,4bn

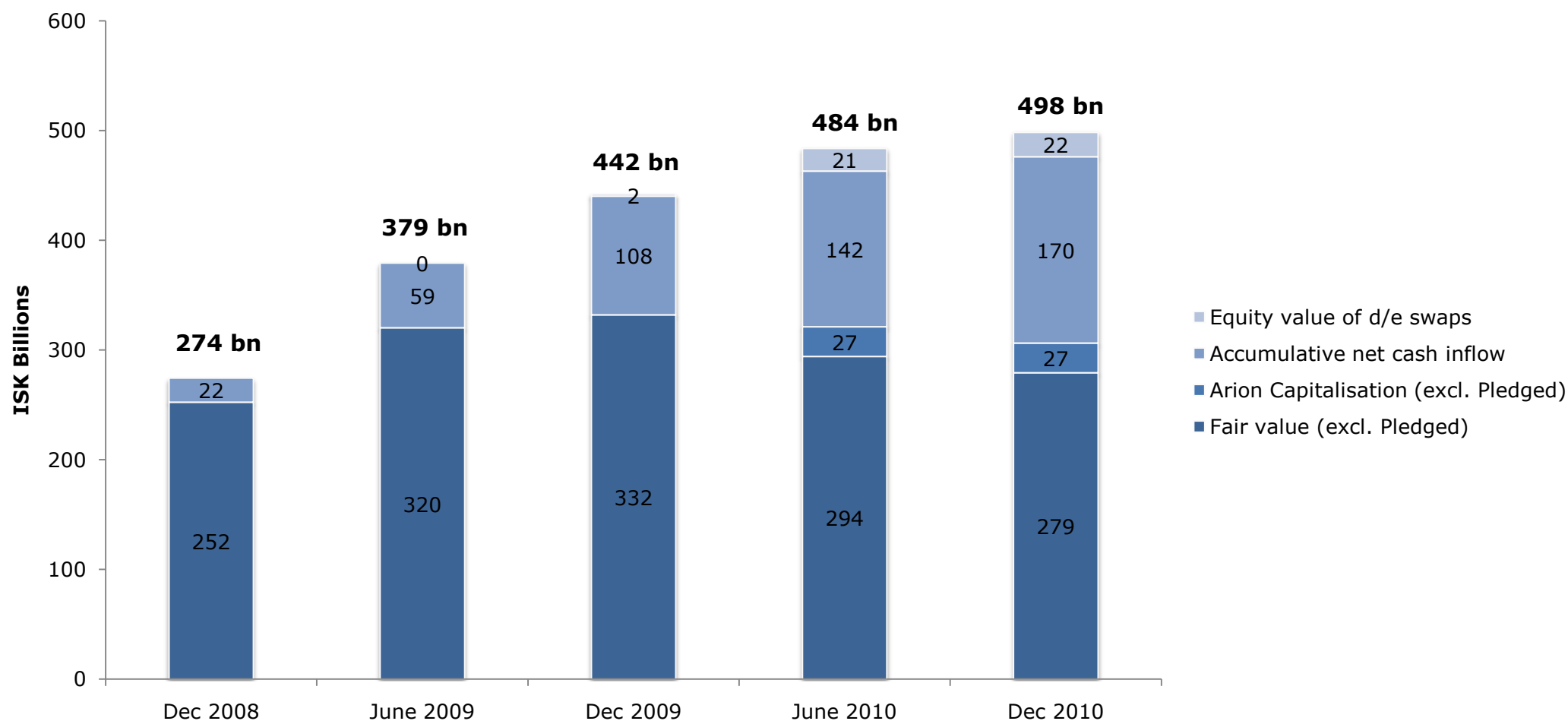


- Mainly performing loans have been repaid (see slides: Loans to Customers – Cash Inflow in 2010 in Appendix).
 - Since the Bank's Loans to customers' portfolio is a static portfolio, it is expected that the portfolio shows declining performance through time - everything else being equal
- Arion Bank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

- The Bank is not actively trying to sell off assets and strongly refuses any fire sale bids. From October 2008 to the end of Q4 2010, 47 loans have been realised with a total cash flow amounting to approx. ISK 84bn, thereof 37 loans have been paid in full, amounting to approx. ISK 69bn. Please note that numbers are converted to ISK as at the end of each relevant quarter.
- In total from October 2008 the weighted average recovery of realised loans has been 91,6%, in 2009 alone it was 97% and 96% in 2010.

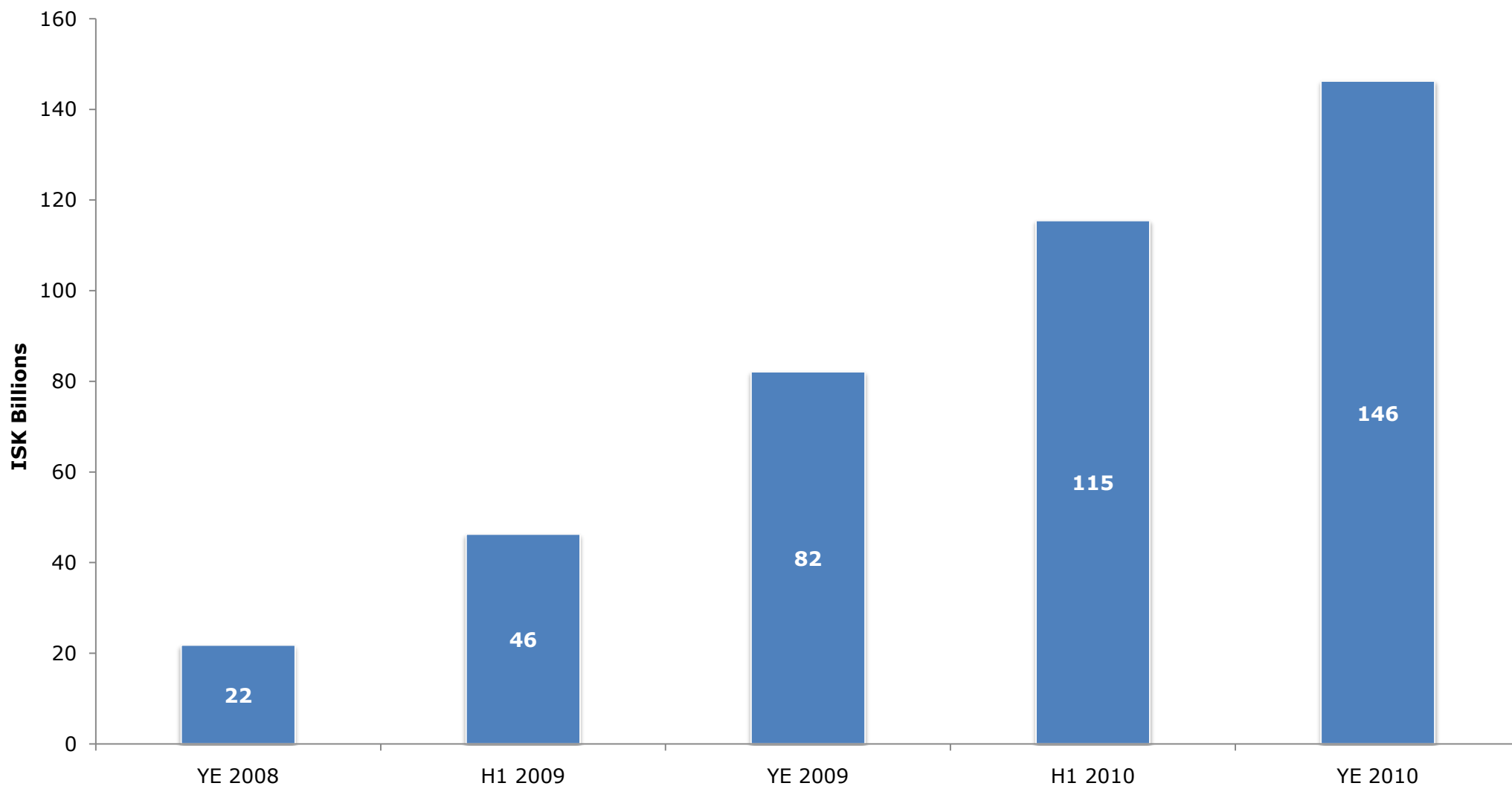
Quarter	Number of loans	Amount (mISK)	Recovery
Q4 2010	5 loans	8.680	100,0%
Q3 2010	2 loans	2.640	100,0%
Q2 2010	5 loans	4.728	90,4%
Q1 2010	5 loans	9.147	94,0%
Q4 2009	8 loans	22.912	97,2%
Q3 2009	5 loans	7.549	100,0%
Q2 2009	12 loans	9.409	95,4%
Q4 2008	5 loans	19.351	77,7%
Total	47 loans	84.416	91,6%

Loans to Customers at Fair Value and its Transitioning to other Asset Classes



- Continuing growth in value from the Loans to customers portfolio
- Increased exposure to cash and equities while the fair value of Loans to customers decreases

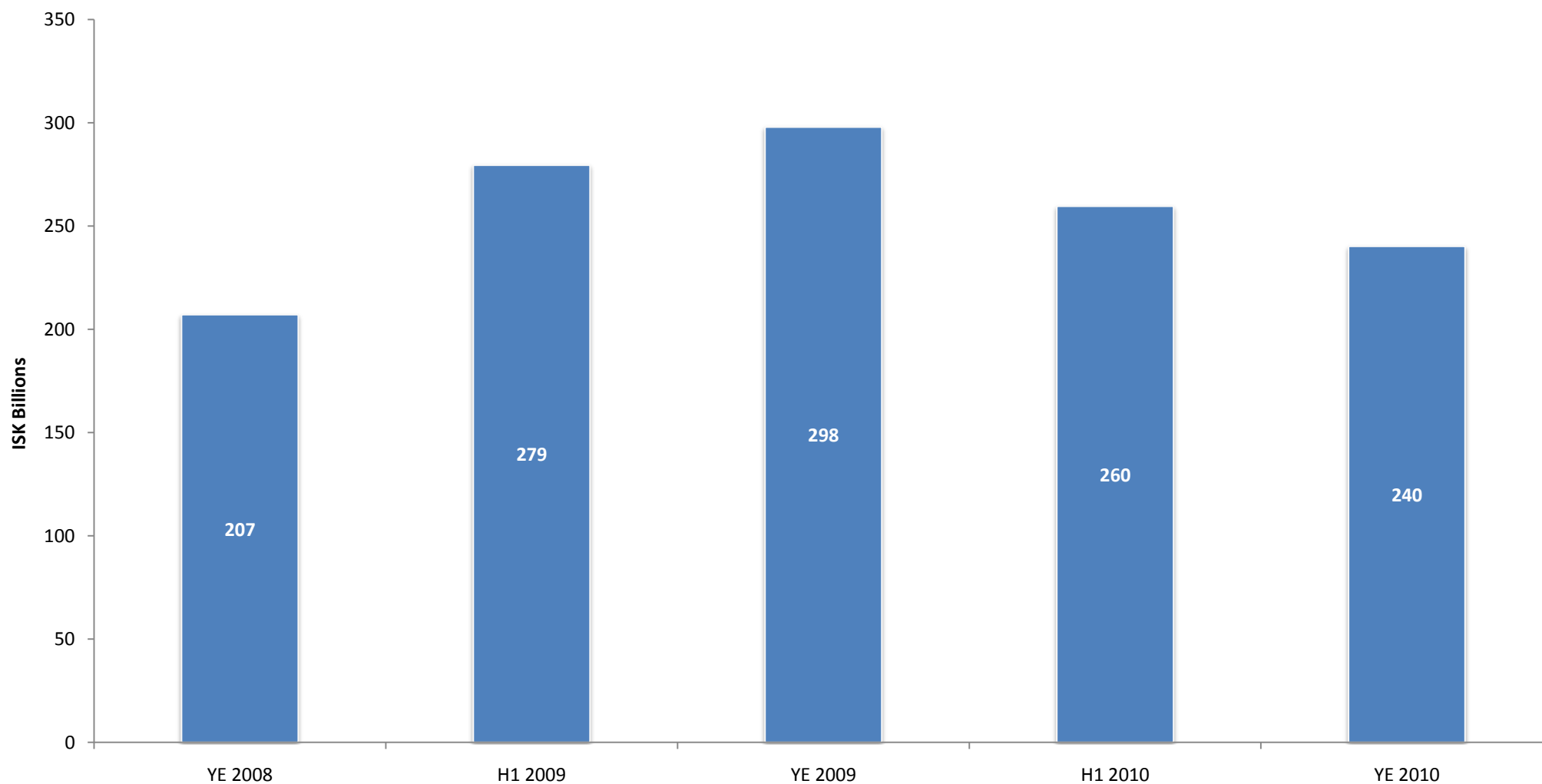
Fair value is for all periods is converted to ISK at 31.12.2010 fx rate – both for equity and loans.
Accumulated cash inflow and Arion Capitalisation is converted to ISK at 31.12.2010 fx rate.



The above graph shows the accumulative net cash inflow for the operating assets in Loans to customers (i.e. Europe and Nordic portfolios).

Amounts in bnISK and converted to ISK at YE 2010.

Operating Assets – Loans to Customers – Development at Fair Value



The above graph shows the development at fair value for the operating assets in Loans to customers (i.e. Europe and Nordic portfolios).

Amounts in bnISK and converted to ISK at YE 2010.

Shares and Instruments with Variable Income



- Shares and instruments with variable income amounted to ISK 187,3bn at YE 2010 at fair value
- Unpledged Shares and instruments with variable income amounted to ISK 55,5bn and increased by ISK 26,7bn in 2010
 - The increase is driven by real value increase of ISK 37,3bn, thereof, ISK 33,5bn in H1 2010
 - FX fluctuations amounting to ISK 7,6bn have a negative impact on the shares and instrument with variable income as it is reported in ISK
- Pledged positions amounted to ISK 131,8bn and decreased by ISK 17,7bn in 2010 primarily due to FX fluctuations as the pledged positions have been fixed at the assumed market value of the underlying collateral as at the Bank's interpretation of the valuation date of the underlying agreements

Shares and instruments with variable income	Total 31.12.2010	Pledged 31.12.2010	Unpledged 31.12.2010	Unpledged 30.06.2010	Unpledged 31.12.2009	% change (YoY)
Listed	137.919	131.796	6.123	5.454	5.118	20%
Unlisted	49.347	0	49.347	52.067	23.731	108%
Shares and instruments with variable income	187.266	131.796	55.470	57.521	28.849	92%
Shares and instruments with variable income (mEUR)	1.217	857	361	367	160	125%

Shares and instruments with variable income	Unpledged 31.12.2010	Unpledged 30.06.2010	Unpledged 31.12.2009
Consumer Goods and Retail	37.510	39.481	14.371
Financial Services	7.354	6.637	4.722
Energy and Environment	3.487	3.464	3.152
Consumer Services: Other	3.332	1.981	203
Real Estate	2.402	4.613	4.400
Life Sciences	1.210	984	1.257
Other	175	362	744
Unpledged positions in Shares and instruments with variable income ..	55.470	57.521	28.849
Unpledged positions in Shares and instruments with variable income (mEUR)	361	367	160

All amounts in table in mISK unless otherwise specified.

Derivatives and Unpaid Derivatives



- Derivatives and unpaid derivatives amounted to ISK 95,2bn at fair value and ISK 183,6bn at carrying value at YE 2010
- Derivatives and unpaid derivatives decreased by ISK 23,6bn at fair value in 2010
 - The decrease is driven by net cash inflow of ISK 6,7bn from counterparties in partial or complete settlements
 - FX fluctuations amounting to ISK 11,4bn have a negative impact on derivatives and unpaid derivatives as it is reported in ISK
- Collateral has been shown in previous Statements of Assets as pledged and comprises cash collateral associated with derivative assets posted by ISDA counterparties with the Bank. This collateral was part of the Bank's own funds and had been re-used or re-invested prior to the Bank's collapse. Derivatives and unpaid derivatives carrying value after collateral includes collateral amounting to ISK 5,8bn held in excess by ISDA counterparties. In addition, ISK 0,8bn has been posted as collateral by non-ISDA counterparties. This non-ISDA collateral is off-balance sheet items which are currently being held in the name of the counterparty but have been pledged to the Bank. Therefore, this off-balance sheet collateral is not included in the total collateral amount

Derivatives and unpaid derivatives - Assets	Carrying value net of collateral	Provision	Fair value net of collateral	Fair value net of collateral	Fair value net of collateral
		31.12.2010		30.06.2010	31.12.2009
Derivatives	2.567	(1.275)	1.292	4.111	6.556
Unpaid derivatives*	181.019	(87.145)	93.874	110.365	112.256
Derivatives and unpaid derivatives	183.586	(88.420)	95.166	114.476	118.812
Derivatives and unpaid derivatives (mEUR)	1.194	-575	619	730	661

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

Derivatives and unpaid derivatives	Carrying value net of collateral	Provision	Fair value net of collateral	Fair value net of collateral	Fair value net of collateral
		31.12.2010		30.06.2010	31.12.2009
Unpaid FX Trades, Asset Swaps, Interest Rate Swaps & FX Options*	178.322	(87.140)	91.182	108.519	110.018
Open FX Trades, Asset Swaps, Interest Rate Swaps & FX Options	2.567	(1.275)	1.292	4.111	6.442
Unpaid Credit Derivatives*	(3.140)	648	(2.492)	(2.682)	(2.775)
Unpaid Equity Options*	2.845	(610)	2.235	3.540	4.267
Open Caps, Floors, Barriers	-	-	-	-	115
Unpaid Caps, Floors, Barriers*	2.992	(43)	2.949	988	745
Derivatives and unpaid derivatives	183.586	(88.420)	95.166	114.476	118.812
Derivatives and unpaid derivatives (mEUR)	1194	(575)	619	730	661

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

Derivatives and unpaid derivatives	Carrying value net of collateral	Provision	Fair value net of collateral	Fair value net of collateral	Fair value net of collateral
		31.12.2010		30.06.2010	31.12.2009
ISDA counterparties	63.194	(13.134)	50.060	42.011	52.934
Non-ISDA counterparties	120.392	(75.286)	45.106	72.465	65.878
Derivatives and unpaid derivatives	183.586	(88.420)	95.166	114.476	118.812
Derivatives and unpaid derivatives (mEUR)	1194	(575)	619	730	661

- A derivative contract is accounted for as an asset if the carrying value net of collateral of all derivative contracts of the counterparty is in the Bank's favour
- Provisions primarily reflect estimated creditworthiness of each counterparty
 - The provision level is decided on a counterparty level, not a product level, and is reviewed regularly

All amounts in table in mISK unless otherwise specified.



- What does the miscellaneous movement on the derivatives book relate to? i.e ISK 15.7bn (page 8) less ISK 11.4bn fx movement (page 36).
 - *As stated in chapter 2.1.1 Valuation methodology, we are now netting positions between counterparties under a single legal agreement. This factor amounts to ISK 3,9bn on the fair value of the asset side but it should also be noted that the effects are greater on the liability side.*
 - *The other main factor is related to the fair value of accepted claims of bankrupt entities. Once those claims have been processed fully they are booked in Other Assets – Accepted claims on bankrupt entities.*
- The notes state that the unpaid derivatives with fair value of ISK 94bn include unpaid cash flow from open trades. Can you quantify?
 - *Unpaid cash flow from open trades amounts to approx. 0,01% of unpaid derivatives.*
- Can you please provide updated status of the Derivatives portfolio, i.e. what is settled, under negotiation etc.?
 - *Please refer to the following two slides, Progress since January 2010 by Counterparty and Progress to date - Assets at Fair Value as at YE 2010.*

Progress since January 2010 by Counterparty



ISDA

	January 2010	May 2010	August 2010	Nov 2010	Feb 2011
Status by counterparty⁽¹⁾	%	%	%	%	%
Remaining to be actioned	64%	10%	3%	0%	0%
Initial contact	26%	39%	7%	2%	0%
Under negotiation	9%	34%	57%	52%	43%
Agreements reached	1%	6%	20%	33%	49%
In litigation/with legal	0%	1%	2%	2%	1%
Bankrupt - claims lodged	0%	10%	10%	10%	7%
Total	100%	100%	100%	100%	100%

Non-ISDA

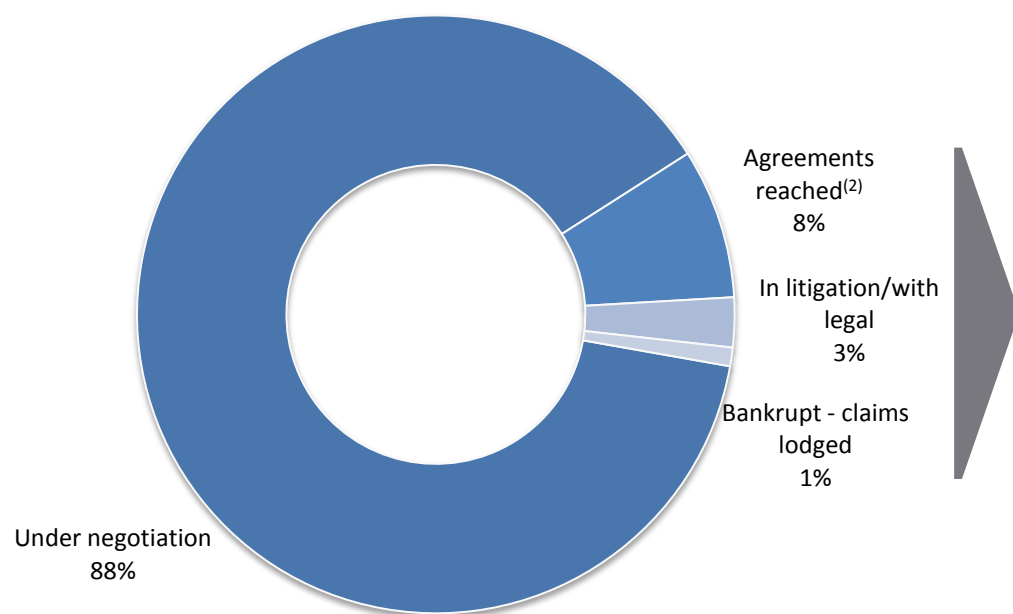
	January 2010	May 2010	August 2010	Nov 2010	Feb 2011
Status by counterparty⁽¹⁾	%	%	%	%	%
Remaining to be actioned	29%	27%	1%	1%	0%
Initial contact	14%	9%	2%	1%	0%
Under negotiation	41%	26%	33%	31%	30%
Agreements reached	12%	30%	48%	51%	59%
In litigation/with legal	5%	6%	12%	13%	9%
Bankrupt - claims lodged	0%	3%	3%	3%	2%
Total	100%	100%	100%	100%	100%

Notes

(1) Tracking over time is done by counterparties rather than by value to give a more accurate view. The number of counterparties are based total numbers of derivatives counterparties, i.e. both on the asset and the liability sides.



Derivatives and unpaid derivatives – Assets
Status by fair value



	ISDA	Non-ISDA	Total
	By value ⁽¹⁾	By value ⁽¹⁾	By value ⁽¹⁾
Assets	%	%	%
Remaining to be actioned	0%	0%	0%
Initial contact	0%	0%	0%
Under negotiation	88%	88%	88%
Agreements reached ⁽²⁾	10%	6%	8%
In litigation/with legal	0%	6%	3%
Bankrupt - claims lodged	2%	0%	1%
Total	100%	100%	100%

Notes

(1) By value = Net fair value after collateral at 31 Dec 2010, excluding cash payments received.

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

- Since the figures in the table are calculated on the most up to date fair value numbers at every given point in time, the status figures are not directly comparable to past periods.



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

Investments in Subsidiaries



- Investments in subsidiaries amounted to ISK 128,2bn at YE 2010. The largest entities in this asset class are listed in the table below
- Investments in subsidiaries are accounted for by an equity method where value is derived from subsidiaries net assets as at 31 December 2010 or the most recent financial information available at the date of this report
- Unpledged Investments in subsidiaries amounted to ISK 111,9bn and increased by ISK 84,6bn in 2010
 - The increase is driven by Kaupthing's equity stake in Arion Bank via Kaupskil ehf, which was not included in the Bank's asset base as at YE 2009.
 - Real value increase amounted to ISK 26,8bn, primarily due to increase in valuation of Arion Bank
 - FX fluctuations amounting to ISK 3,8bn have negative impact on Investments in subsidiaries as it is reported in ISK
 - In H2 2010, NBS Diversified Credit Fund was put into liquidation which resulted in the Bank receiving ISK 5,4bn
- Pledged positions amounted to ISK 16,2bn and decreased significantly in 2010 due to the sale of FIH

Investments in subsidiaries	Total 31.12.2010	Pledged 31.12.2010	Unpledged 31.12.2010	Unpledged 30.06.2010	Unpledged 31.12.2009	% change YoY
Kaupskil ehf. (Arion Bank), Iceland	92.191	-	92.191	88.520	-	
Kaupthing Mortgage Inst. Investor Fund, Iceland	16.216	16.216	-	-	-	
Norvestia Oyj, Finland	7.816	-	7.816	7.525	8.776	-10,9%
Kaupthing Sverige AB, Sweden	4.792	-	4.792	4.769	5.103	-6,1%
Kirna ehf., Iceland	4.122	-	4.122	4.123	3.557	15,9%
FIH Erhvervsbank, Denmark	-	-	-	-	-	-
NBS Diversified Credit Fund, UK - in winding-up proceedings ..	-	-	-	5.463	6.264	-100,0%
Other	3.018	-	3.018	3.263	3.576	-15,6%
Investments in subsidiaries	128.155	16.216	111.939	113.663	27.276	310,4%
Investments in subsidiaries (mEUR)	833	105	728	725	152	379,6%

All amounts in table in mISK unless otherwise specified.

Alternatives and Distribution to Creditors



- On 24 November 2008, the Bank entered into moratorium proceedings. Post several extensions in 2009 and 2010, the moratorium period ended on 22 November 2010.
- Following a ruling of the District Court of Reykjavik on 22 November 2010, the Bank formally entered winding-up proceedings. Icelandic law provides for automatic end of the moratorium period upon entering into winding-up proceedings.
- There will be no significant changes in the legal status or operations of the Bank because of this transition. Indeed, for creditors and counterparties, the change should hardly be noticeable.
- Upon entering into winding-up proceedings, the ResCom shall continue to manage the interests of the Bank with the same aim as before to maximise the value of assets. That includes waiting for the maturity of assets if deemed beneficial rather than disposing of them immediately.
- The ResCom shall continue to hold the power of the board of directors as well as the power of the Bank's shareholders' meeting.



- From the outset the ResCom and Winding-up Committee have been focused on finding the best possible closure for all relevant parties in a realistic time frame and distributing the resulting value to creditors.
- As the Winding-up Committee has completed its decision on all claims lodged, a basis for creditors is established to give feedback on any preferred alternative.
- As outlined on the previous slide, the Bank entered winding-up proceedings pursuant to a decision of the District Court of Reykjavik on 22 November 2010.
- The current winding-up proceedings are however in essence a temporary period for the estate. Article 103a of Act no. 161/2002 on Financial Undertakings implies that the estate can only remain in winding-up proceedings as long as a composition is targeted or achievable as the Winding-up Committee is otherwise obliged, according to fourth paragraph of Article 103a, to put the estate into liquidation.
- Pursuant to Art. 103 a of the Act on Financial Undertaking No. 161/2002, the two possible conclusions of the winding-up proceedings with the end results as a Composition with creditors or Insolvent liquidation
- As explained on slide14 *Priority Claims Analysis*, the actual priority claims against unpledged assets* which currently amount to ISK 537bn, are substantially lower than the value of the Bank's total assets** which amounted to ISK 791bn as at the year end 2010. Therefore, priority claims do not restrict the alternatives Kaupthing can follow.
- However, uncertainties remain with regard to the outcome of ongoing disputes and resulting impact on available assets for general creditors. This will need to be taken into account when evaluating the abovementioned alternatives. Disputed claims have been/ will be settled in settlement meetings or referred to the Icelandic courts for determination where necessary.
 - The Winding-up Committee is doing its utmost to expedite the process both through the court system and by resolving issues outside of the courts.

* After adjusting for lodged priority claims that have been finally rejected (not in dispute) or finally accepted as general claims with reference to Art. 113. Furthermore, this number is also adjusted for priority claims against pledged assets or third party assets which would not be repaid prior to general claims from the pool of unpledged assets in the case they were recognized.

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



- In what currencies do you envisage to make a distribution to creditors.
 - No decision has yet been taken in what form future payments will be made. Therefore no decision has been made as to in what currencies a distribution to creditors will be made.

- Is your current plan to only make cash repayments or do you also plan to make payments in kind following a composition (i.e. distribute shares to shareholders / creditors directly)?
 - No decision has yet been taken in what form future payments will be made and depends on the alternative route chosen, see next slide Alternatives - Main Considerations.
 - If Kaupthing enters a composition with creditors payments can be made in various forms, e.g. in a certain currency up to a certain amount, in a certain basket of currencies or in payments in kind. The payment form and method would depend on the composition proposal and such a process would include increased creditor involvement.



- As presented at the Creditors' Meeting on 3 December 2010, the following alternatives can be explored according to Icelandic law:

1) Composition

- 1a) Status Quo as continuation of winding-up proceedings with a composition as a final target
- 1b) Interim structure with increased creditor involvement while remaining in winding-up proceedings with a composition as a final target
- 1c) Composition with general creditors as soon as possible which would make the bank solvent and give control and governance to creditors

2) Insolvent Liquidation

- Main considerations when evaluating Kaupthing alternatives:
 - value maximization, governance/control, time to payout, instruments for creditors / trading ability, tax implications, legal structure, future activities
- As stated before, the ResCom and the Winding-up Committee appreciate all feedback and guidance from the Bank's creditors, particularly on timing and the suggested route going forward.
 - The Bank's creditors are welcome to state their views and provide feedback through all applicable communication channels, including the Bank's e-mail address, creditorcontact@kaupthing.com which remains, as always, open for creditors' feedback
 - Morgan Stanley, the Bank's financial advisor, remains available for discussions upon requests

Appendix

Loans to and Claims against Credit Institutions



Unpledged positions - overview

■ Unpledged bank accounts (ISK 17,4bn at fair value)

- These accounts have been emptied partially or fully by the counterparty without legitimate acceptable reasons being provided to the Bank
- These are related to ca. 30 different jurisdictions and the amounts range from c. ISK 58k to ISK 8,5bn – the 5 largest of the 37 accounts covering 83% of the class value
- A substantial amount of these bank accounts have been subject to set-off in relation to derivative cases and hence the validity and legality of the freezing/seizure of cash will be concluded as part of the settlement of the derivative portfolio which is lead by Alvarez and Marsal with the assistance of external legal counsel
- The bank accounts which are not related to derivative set-off are being handled by the Bank's internal legal counsel and the Winding-up Committee, in co-operation with external legal counsel in the respective jurisdictions, who analyze the validity of the freezing/seizure with respect to Icelandic bankruptcy legislation in coalition with other relevant jurisdictional legislation

■ Subordinated loans to subsidiaries (ISK 15,4bn at fair value)

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

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

- Mostly domestic claims



Pledged positions - overview

■ Pledged bank accounts (ISK 55bn at fair value)

- Collateral accounts (ISK 47,2bn at fair value) represent collateral posted in secured funding agreements, primarily repurchase agreements. As stated in the Bank's presentation for the Creditors' Report Update Meeting on 7 June 2010, most of the Bank's counterparties in the larger secured funding agreements seized the pledged assets at or shortly after the Bank collapsed as payments under the agreements. The Bank includes pledged assets in its accounts even if the counterparty has enforced the pledge over the respective asset, if the underlying agreement has not yet been settled with the Bank
- Guarantee accounts (ISK 7,8bn at fair value) with 3 foreign banks

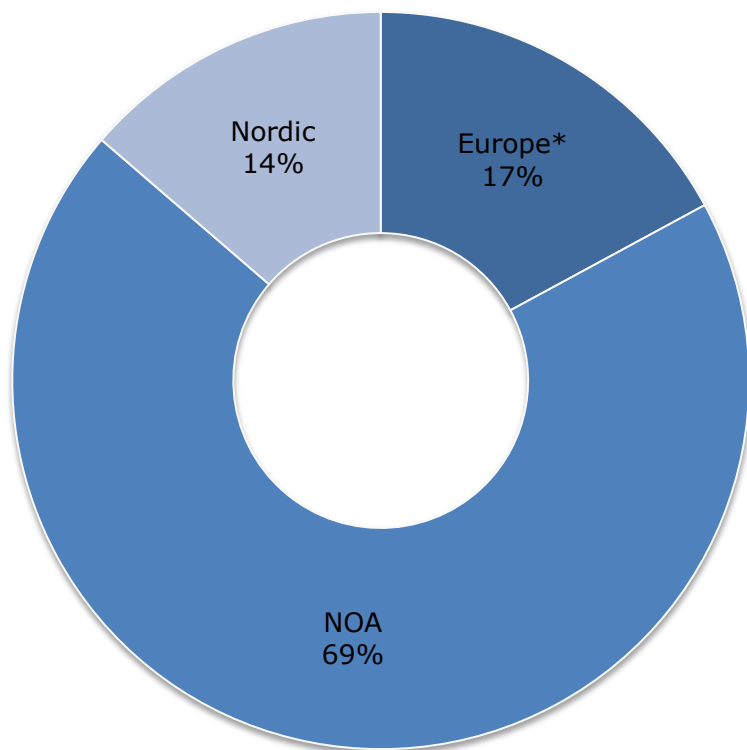
■ Subordinated loans to subsidiaries (ISK 124,2bn at fair value)

- The subordinated loan which is classified as pledged is to the Bank's subsidiary, Kaupthing Mortgages Institutional Investor Fund, and is related to the issuance and structure of Kaupthing's covered bonds

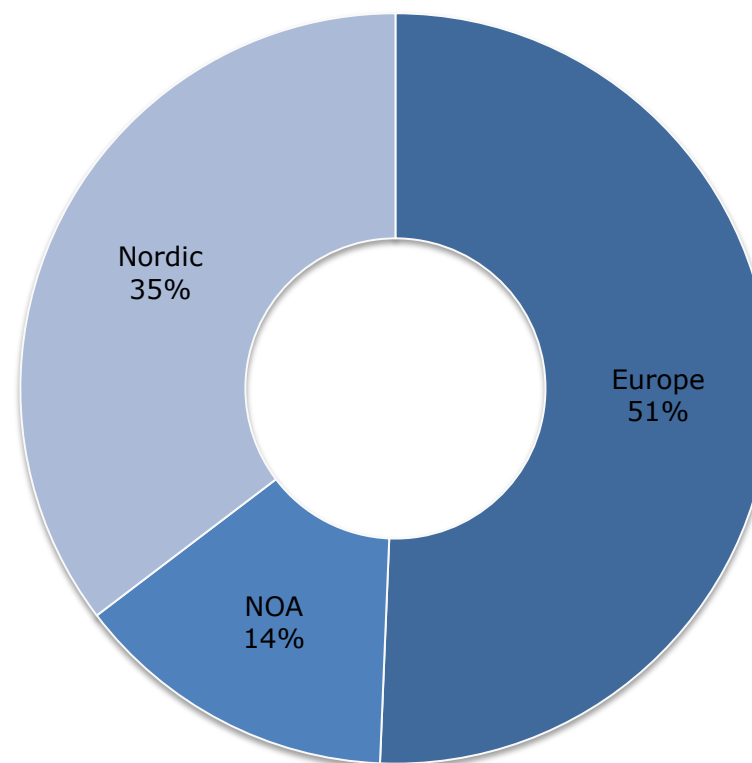
Loans to Customers



Carrying value



Fair value

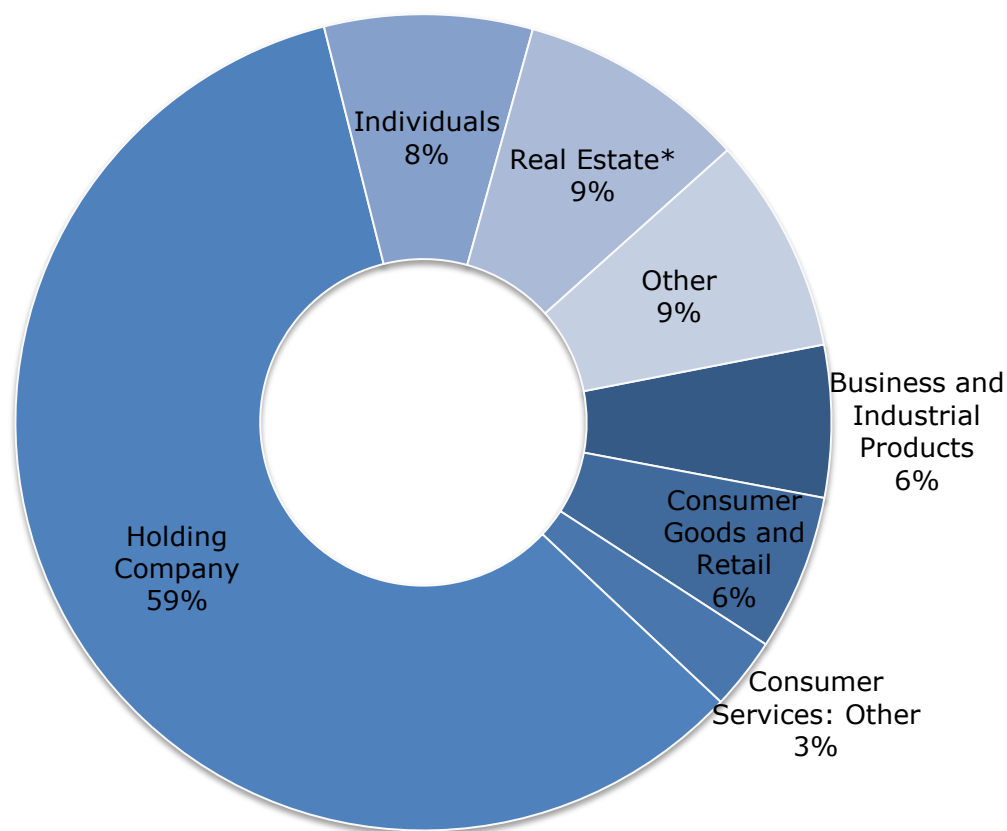


* Late in 2010, the Bank's financing of the Middlesex Hospital site (real-estate development in Fitzrovia, London) was sold for a 50% interest in a joint venture partnership ("JV"). The compensation has lower carrying value than the carrying value of the initial financing which the Bank provided in 2006. Subsequently, the carrying value for Loans to customers, Europe portfolio, at 31 December 2010 has been adjusted downwards by the difference, i.e. ISK 13.760 million.

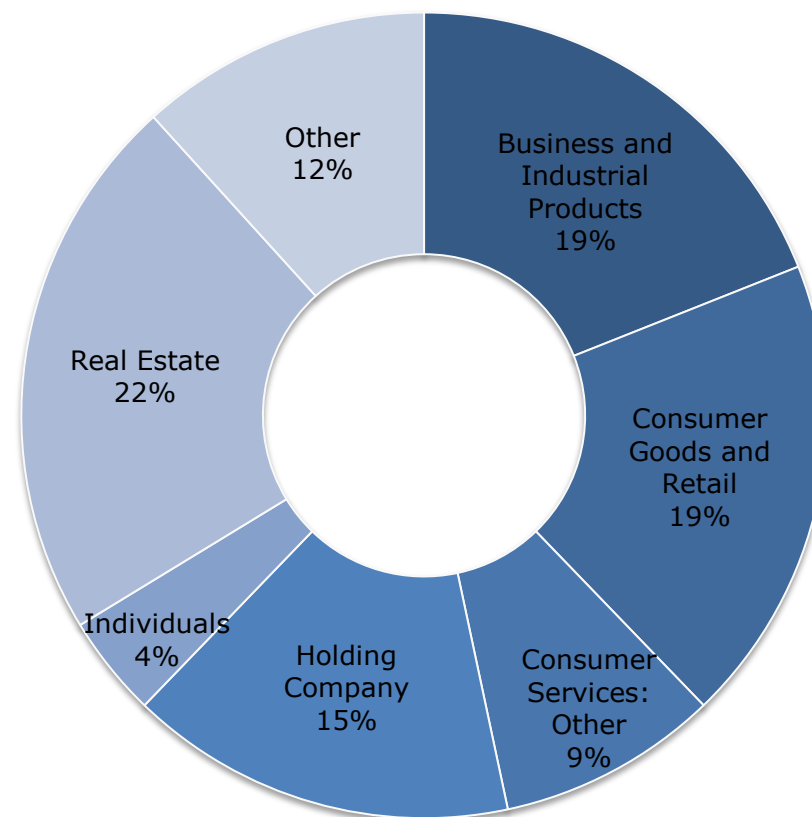
Loans to Customers – Breakdown by Sector as at YE 2010



Carrying value



Fair value



* Late in 2010, the Bank's financing of the Middlesex Hospital site (real-estate development in Fitzrovia, London) was sold for a 50% interest in a joint venture partnership ("JV"). The compensation has lower carrying value than the carrying value of the initial financing which the Bank provided in 2006. Subsequently, the carrying value for Loans to customers, Europe portfolio, at 31 December 2010 has been adjusted downwards by the difference, i.e. ISK 13.760 million.

Loans to Customers – Breakdown by Sector



Operating Assets (Europe & Nordic) -	Carrying value	Fair value	Weighted average	Carrying value	Fair value	Weighted average	Carrying value	Fair value	Weighted average
	31.12.2010			30.06.2010			31.12.2009		
Business and Industrial Products	69.211	53.015	76,6%	65.293	52.430	80,3%	72.648	55.000	75,7%
Consumer Goods and Retail	71.104	52.509	73,8%	71.315	53.558	75,1%	134.900	65.422	48,5%
Consumer Services: Other	32.772	24.776	75,6%	39.082	30.900	79,1%	43.908	35.387	80,6%
Holding Company	38.940	13.365	34,3%	52.001	20.586	39,6%	61.710	27.616	44,8%
Individuals	22.447	11.385	50,7%	28.948	18.346	63,4%	36.444	19.871	54,5%
Real Estate*	83.325	61.390	73,7%	124.575	64.073	51,4%	141.374	74.616	52,8%
Other	35.876	23.708	66,1%	41.696	27.338	65,6%	66.196	50.415	76,2%
Loans to customers	353.675	240.148	67,9%	422.910	267.231	63,2%	557.180	328.327	58,9%
Loans to customers (mEUR)	2.299	1.561	67,9%	2.697	1.704	63,2%	3.099	1.826	58,9%

NOA portfolio - breakdown by sector	Carrying value	Fair value	Weighted average	Carrying value	Fair value	Weighted average	Carrying value	Fair value	Weighted average
	31.12.2010			30.06.2010			31.12.2009		
Business and Industrial Products	-	-		-	-		-	-	
Consumer Goods and Retail	-	-		-	-		-	-	
Consumer Services: Other	-	-		-	-		-	-	
Holding Company	639.686	30.060	4,7%	656.193	30.027	4,6%	553.926	31.099	5,6%
Individuals	72.274	-	0,0%	70.728	5.528	7,8%	68.990	4.184	6,1%
Real Estate	20.787	-	0,0%	21.746	-	0,0%	23.114	441	1,9%
Other	62.489	9.041	14,5%	62.139	1.227	2,0%	61.953	2.842	4,6%
Loans to customers	795.236	39.101	4,9%	810.806	36.782	4,5%	707.983	38.567	5,4%
Loans to customers (mEUR)	5.170	254	4,9%	5.171	235	4,5%	3.938	215	5,4%

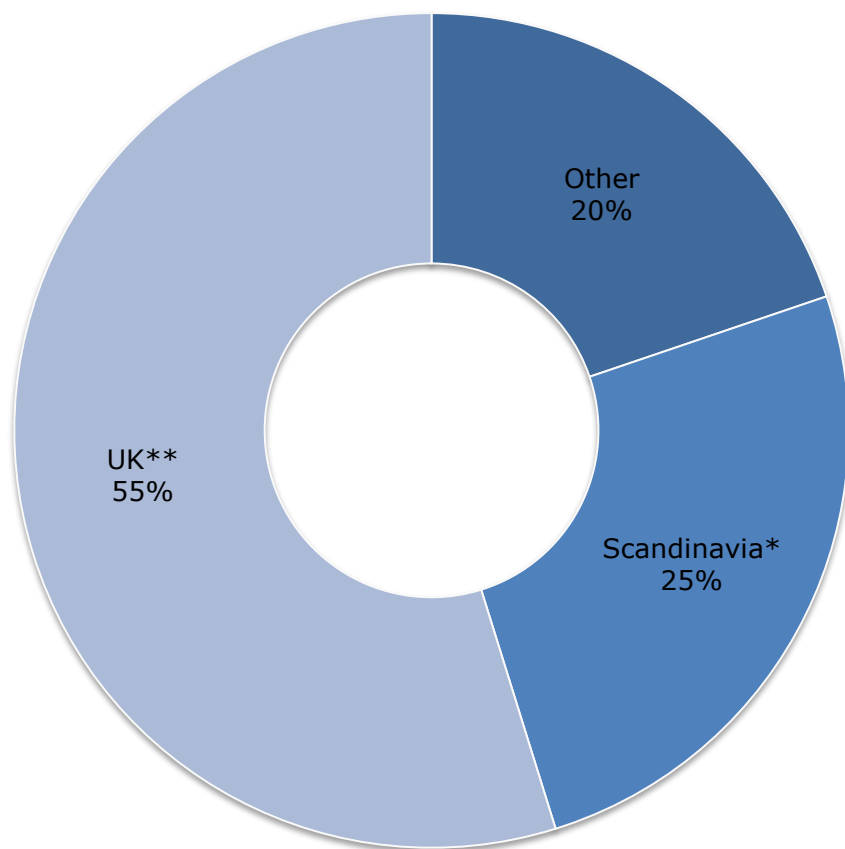
* Late in 2010, the Bank's financing of the Middlesex Hospital site (real-estate development in Fitzrovia, London) was sold for a 50% interest in a joint venture partnership ("JV"). The compensation has lower carrying value than the carrying value of the initial financing which the Bank provided in 2006. Subsequently, the carrying value for Loans to customers, Europe portfolio, at 31 December 2010 has been adjusted downwards by the difference, i.e. ISK 13.760 million.

To facilitate like-for-like comparison, the tables as at YE 2009 exclude the pledged portfolio which was injected into Arion Bank in January 2010.

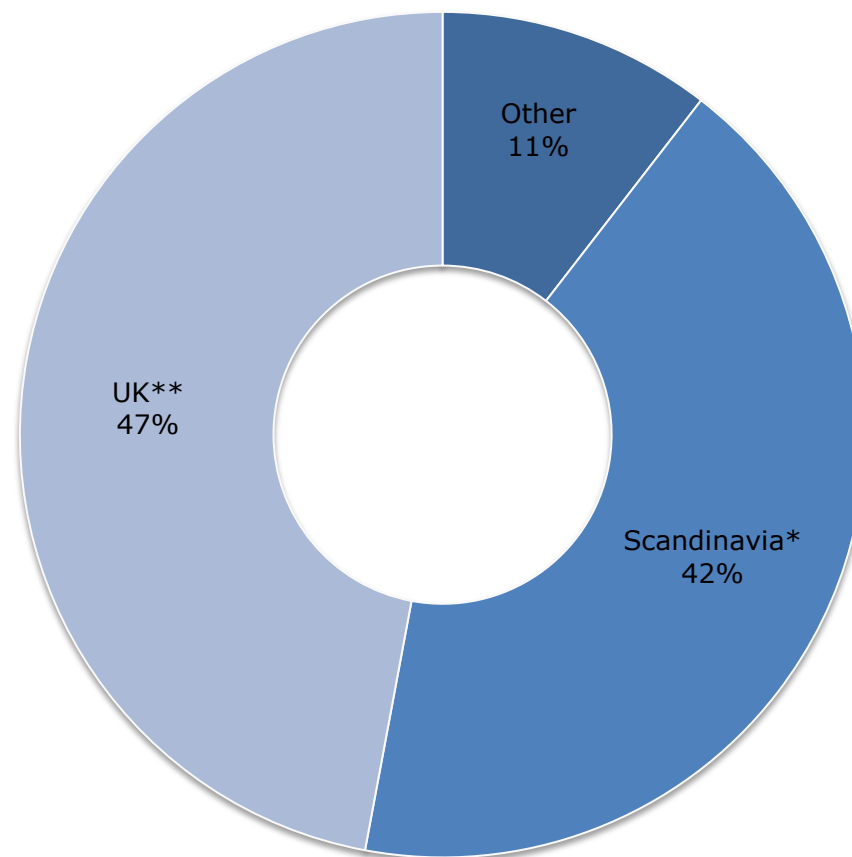
All amounts in table in mISK unless otherwise specified.



Carrying value



Fair value



* Scandinavia includes Iceland

**UK includes UK overseas territories and Crown dependencies

Loans to Customers – Breakdown by Geography



Operating assets (Europe & Nordic) - breakdown by geography	Carrying value	Fair value	Weighted average	Carrying value	Fair value	Weighted average	Carrying value	Fair value	Weighted average
	31.12.2010			30.06.2010			31.12.2009		
Scandinavia**	200.661	118.566	59,1%	225.663	142.472	63,1%	277.897	173.441	62,4%
UK*/***	123.665	99.704	80,6%	142.037	99.659	70,2%	208.792	115.232	55,2%
Other	29.349	21.878	74,5%	55.210	25.100	45,5%	70.491	39.653	56,3%
Loans to customers	353.675	240.148	67,9%	422.910	267.231	63,2%	557.180	328.326	58,9%
Loans to customers (mEUR)	2.299	1.561	67,9%	2.697	1.704	63,2%	3.099	1.826	58,9%

NOA portfolio - breakdown by geography	Carrying value	Fair value	Weighted average	Carrying value	Fair value	Weighted average	Carrying value	Fair value	Weighted average
	31.12.2010			30.06.2010			31.12.2009		
Scandinavia**	91.095	-	0,0%	86.414	-	0,0%	2.387	-	0,0%
UK***	506.027	31.717	6,3%	523.518	36.775	7,0%	500.782	38.076	7,6%
Other	198.114	7.384	3,7%	200.874	7	0,0%	204.814	491	0,2%
Loans to customers	795.236	39.101	4,9%	810.806	36.782	4,5%	707.983	38.567	5,4%
Loans to customers (mEUR)	3.882	206	5,3%	5.171	235	4,5%	3.938	215	5,4%

* Late in 2010, the Bank's financing of the Middlesex Hospital site (real-estate development in Fitzrovia, London) was sold for a 50% interest in a joint venture partnership ("JV"). The compensation has lower carrying value than the carrying value of the initial financing which the Bank provided in 2006. Subsequently, the carrying value for Loans to customers, Europe portfolio, at 31 December 2010 has been adjusted downwards by the difference, i.e. ISK 13.760 million.

**Scandinavia includes Iceland

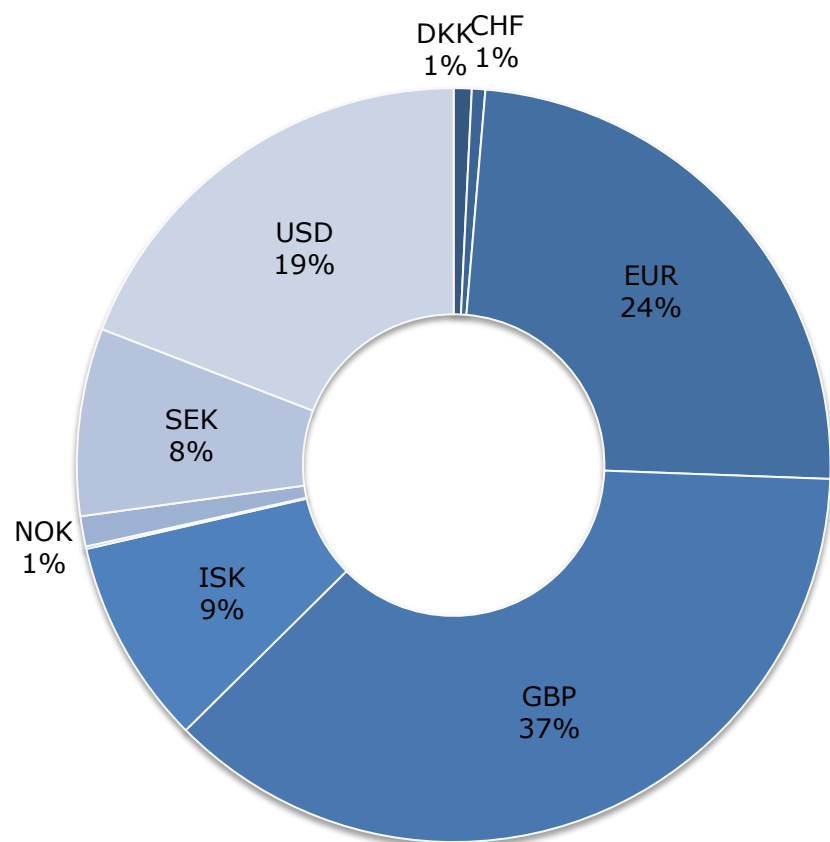
*** UK includes UK overseas territories and Crown dependencies

To facilitate like-for-like comparison, the tables as at YE 2009 exclude the pledged portfolio which was injected into Arion Bank in January 2010.

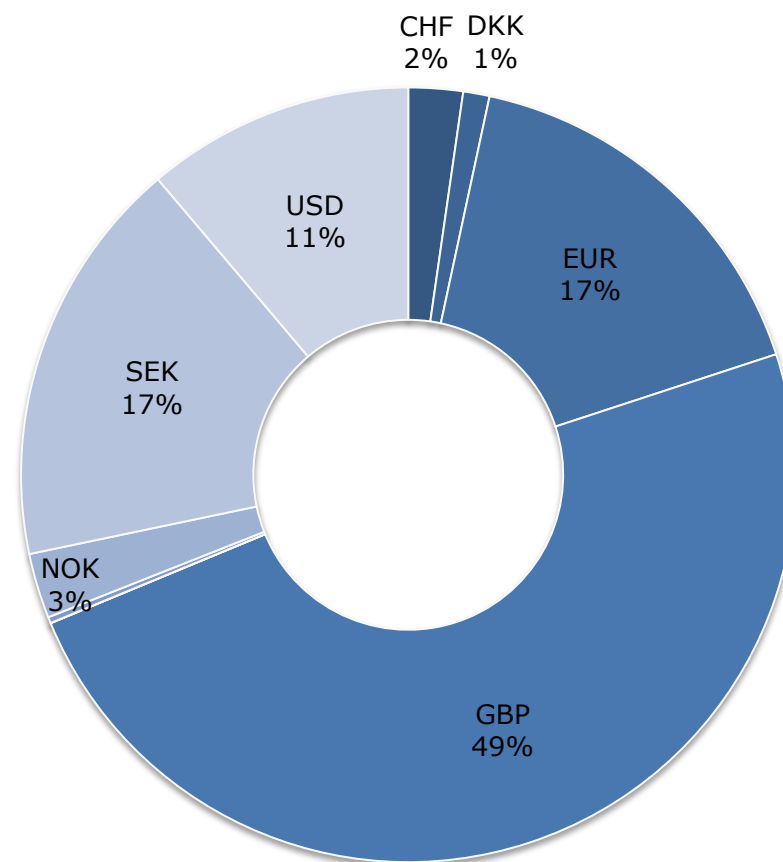
All amounts in table in mISK unless otherwise specified.



Carrying value

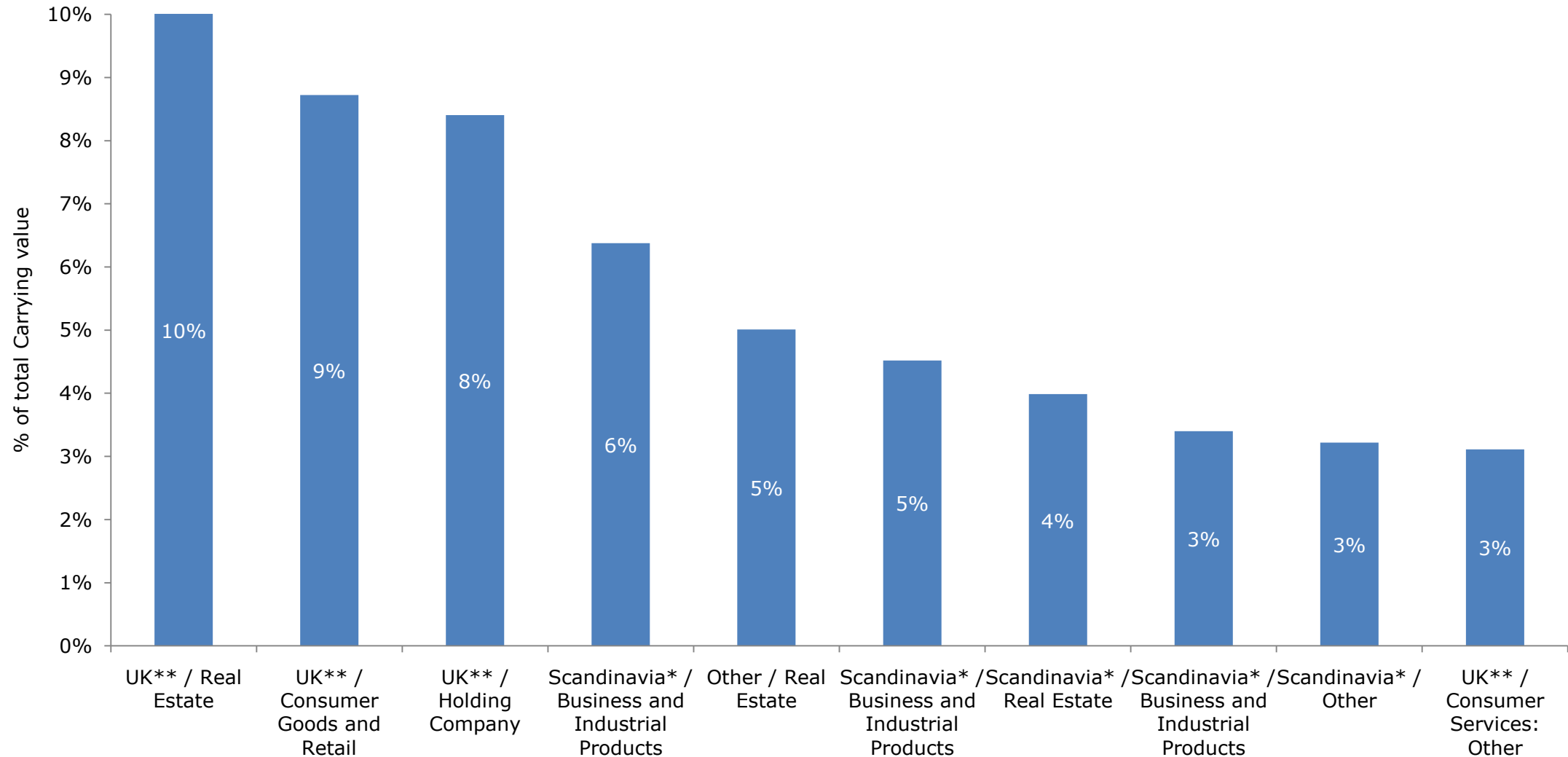


Fair value





Ten Largest Loans to Customers at Fair Value at YE 2010

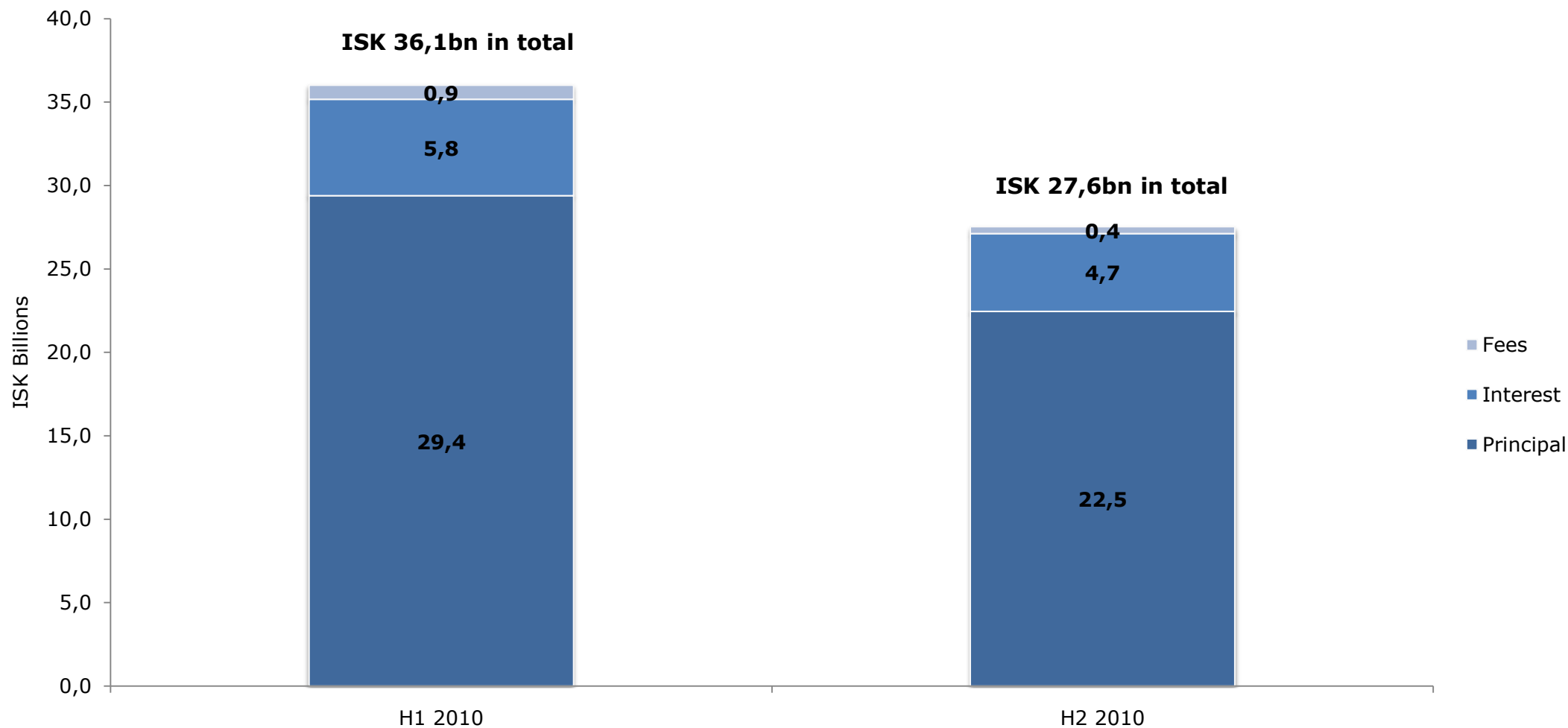


■ The ten largest Loans to customers by Sector and Country at Fair Value as a % of total Loans to customers at fair value as at the end of YE 2010

*Scandinavia includes Iceland

**UK includes UK overseas territories and Crown dependencies

Loans to Customers – Past Cash Flow Analysis for the year 2010



- Fee income generated from Loans to customers amounted to ISK 1,3bn in 2010 and fully covered salaries and salary related cost of the Bank's employees and administrators' cost in 2010
- Past cash flow is converted to ISK at FX spot rate of each payment date.

Loans to Customers – Cash Inflow in 2010



- Cash inflow from Loans to customers in 2010 amounted to ISK 72,0bn as can be seen in the table below.
- The tables to the right break up the actual cash flow by performance and realized loans which were paid up in 2010.

Cash Inflow				
Portfolio	Total	Principal	Interest	Fee
Europe	25,3	20,1	4,6	0,6
Nordic	46,1	39,7	5,8	0,7
NOA	0,6	0,5	0,0	0,0
Total	72,0	60,3	10,4	1,3

Performing loans				
Portfolio	Total	Principal	Interest	Fee
Europe	17,4	13,1	4,1	0,2
Nordic	29,2	24,2	4,6	0,4
NOA	0,0	0,0	0,0	0,0
Total	46,6	37,3	8,8	0,6

Loans on view list				
Portfolio	Total	Principal	Interest	Fee
Europe	0,0	0,0	0,0	0,0
Nordic	0,8	0,5	0,3	0,0
NOA	0,0	0,0	0,0	0,0
Total	0,8	0,5	0,3	0,0

Loans on watch list				
Portfolio	Total	Principal	Interest	Fee
Europe	0,4	0,2	0,2	0,0
Nordic	1,0	0,7	0,3	0,0
NOA	0,1	0,1	0,0	0,0
Total	1,6	1,1	0,5	0,1

Loans paid up / realized				
Portfolio	Total	Principal	Interest	Fee
Europe	7,5	6,8	0,3	0,3
Nordic	15,1	14,3	0,6	0,2
NOA	0,4	0,4	0,0	0,0
Total	23,0	21,5	0,9	0,6

All amounts in tables in bnISK.

Bonds and Debt Instruments

- Bonds and debt instruments amounted to ISK 54,4bn at YE 2010 at fair value
- Unpledged Bonds and debt instruments amounted to ISK 7,5bn and decreased by ISK 2bn in 2010
 - The decrease is driven by cash inflow from principal payments in 2010 of ISK 2,9bn
 - In addition, interests payments received amounted to ISK 0,9bn and real value increase amounted to ISK 0,5bn
 - The vast majority of the unpledged positions are ISK-denominated and CPI linked bonds
- Pledged positions amounted to ISK 46,9bn and decreased by ISK 6,6bn in 2010, solely due to FX fluctuations as the pledged positions have been fixed at the assumed market value of the underlying collateral as at the Bank's interpretation of the valuation date of the underlying agreements

Bonds and debt instruments	Total 31.12.2010	Pledged 31.12.2010	Unpledged 31.12.2010	Unpledged 30.06.2010	Unpledged 31.12.2009	% change (YoY)
Listed	48.105	41.625	6.480	6.436	8.958	-28%
Unlisted	6.280	5.304	976	742	581	68%
Bonds and debt instruments	54.385	46.929	7.456	7.178	9.539	-22%
Bonds and debt instruments (mEUR)	354	305	48	46	53	-9%

Bonds and debt instruments	Total 31.12.2010	Pledged 31.12.2010	Unpledged 31.12.2010	Unpledged 30.06.2010	Unpledged 31.12.2009	% change (YoY)
Financial Services	24.850	24.476	374	0	0	-
Government Agencies	12.654	7.803	4.851	4.845	4.656	4%
Governments	7.085	5.305	1.780	1.770	4.302	-59%
Holding Companies	5.245	4.794	451	563	581	-22%
Energy and Environment	2.635	2.635	0	0	0	-
Communications	1.916	1.916	0	0	0	-
Bonds and debt instruments	54.385	46.929	7.456	7.178	9.539	-22%
Bonds and debt instruments (mEUR)	354	305	48	46	53	-9%

All amounts in table in mISK unless otherwise specified.

Other Assets



- Other Assets amounted to ISK 2,5bn at fair value and ISK 71,1bn at carrying value at YE 2010.
- Other assets at fair value decreased by ISK 5,1bn in 2010
 - The decrease is mainly due to net cash inflow of ISK 4,2bn and FX fluctuations of ISK 0,4bn.

Other Assets	Unpledged 31.12.2010	Unpledged 30.06.2010	Unpledged 31.12.2009	% change YoY
Accounts receivables	37.494	37.717	40.549	-7,5%
Accepted claims on bankrupt entities	28.843	-	-	-
Sundry assets	4.772	4.264	4.003	19,2%
Other assets at carrying value	71.109	41.981	44.552	59,6%
Provisions	(68.671)	(39.459)	(37.012)	-
Other assets at fair value	2.438	2.522	7.540	-67,7%
Other assets (mEUR)	16	16	42	-62,2%

All amounts in table in mISK unless otherwise specified.

Operating Cost

- The table below sets out the operating costs of the Bank in 2010.

- Operating costs of the Bank's operations, i.e. for the activities of both the Resolution Committee and the Winding-up Committee:

(ISKm)	H1 2010	H2 2010	Total
Salaries and salary related cost	474	494	968
Thereof, salary related taxes	149	173	322
Administrators' cost	141	128	269
External advisors	2.407	1.549	3.956
Domestic	511	468	979
Foreign	1.896	1.081	2.977
Other expenses	395	384	779
VAT	286	229	515
Total	3.703	2.784	6.487

- Total operating costs in 2010 were approx. 0.29% of the total carrying value as at YE 2010
- Fee income generated from Loans to customers amounted to ISK 1,3bn in 2010 and fully covered salaries and salary related cost of the Bank's employees and administrators' cost in 2010
- ISK 837 million, or 13% of the Bank's operating costs in the period, is in the form of VAT and other taxes
- The largest items in external advisory costs are related to the activities of the Bank's financial advisor, forensic work conducted by the Inspection Committee and the settlement of the derivatives book
- Other expenses include expenses related to IT services, housing, offices, custody services, travelling and other staff and administration items

Currency Table



- The ISK against major currencies as at 31.12.2010, 30.06.2010 and 31.12.2009.

	31.12.2010	30.6.2010	31.12.2009
AUD	117,39	108,10	112,53
CAD	115,32	120,37	119,74
CHF	122,79	118,49	121,18
DKK	20,64	21,05	24,16
EUR	153,82	156,79	179,78
GBP	179,11	190,92	202,65
JPY	1,41	1,44	1,35
NOK	19,72	19,69	21,63
SEK	17,07	16,46	17,54
USD	114,71	127,66	125,43



- *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.



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