KAUPTHING BANK

Disclaimer

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This presentation was prepared for the creditors of Kaupthing Bank hf. ("the Bank") for information purposes only. It should give creditors an overview of the background, the current situation and the potential steps going forward. In preparing this report, the Bank has not taken account of the interest of any particular creditor or group of creditors.

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(a) Resolution of issues regarding the quantum of claims

(b) Additional claims being made against the Bank

(c) The realisation method(s) used over time

(d) The impact of set off and netting including in connection with derivative contracts

(e) Movements in currency exchange rates and interest rates

(f) Prevailing market conditions when assets are sold

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Kaupthing Bank hf. Creditors' meeting

5 February 2009

Contents

Defined Terms

FME	The Icelandic Financial Supervisory Authority
ICC	Informal Creditors’ Committee
The Bank	Kaupthing Bank hf
New Kaupthing	Nyi Kaupthing Banki hf
KSF	Kaupthing Singer and Friedlander Limited
FIH	FIH Erhvervsbank A/S
KT Lux	Kaupthing Bank Luxembourg S.A.
The Disbursement Act	Act No. 125/2008 on the Authority for Treasury Disbursements due to Unusual Financial Market Circumstances etc.
The Transfer Decision	Decision of the FME on the disposal of assets and liabilities of Kaupthing Bank hf. to New Kaupthing Bank hf dated 21 October 2008
The Bankruptcy Act	Icelandic Act on Bankruptcy, etc., No. 21/1991

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Welcome Address &

Introduction

Meeting Agenda

- Welcome address
- Introduction
- Presentation
- Summary
- Q&A session

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Background

The World Wide Credit Crunch

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- Severe disruption to credit markets and turbulence in the banking and mortgage sectors created an extremely difficult environment for banks
- The global financial system was experiencing unprecedented difficulties and credit markets were seizing up
- The severity of the position in second half of 2008 was illustrated by:
  - the collapse of banking and financial sector shares in and around September 2008
  - the collapse of Lehman Brothers on 15 September 2008
  - the huge and unprecedented "bail out" of American banks announced by the US Treasury Secretary on 20 September 2008, followed by similar rescue measures taken by most western countries
- Rating agencies were forced to reassess the credit ratings of financial sector institutions across the world

- Iceland ended up in the midst of a banking crisis of extraordinary proportions
- **29 September** – Icelandic authorities announced plan to acquire 75% stake in Glitnir
- Value of the krona dropped severely and rating agencies downgraded their credit ratings for the Icelandic state and the Icelandic banks
- **6 October** – Trading in Icelandic banking shares suspended and emergency legislation enacted allowing the FME to assume control of the Icelandic banks
- After British depositors withdrew their deposits from Landsbanki's Icesave, the Icelandic FME assumed control of Landsbanki
- **8 October** – State Treasury in the UK transferred Kaupthing Edge deposits to ING Direct, and KSF was placed into administration
- Creditors of Kaupthing Bank ("the Bank") treated the situation as an event of default
- **9 October** - The Icelandic FME assumed control of the Bank
- **9 October** - 85 percent of the Icelandic banking system had collapsed in less than a week

Overview of the Bank

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- Founded and HQ in Iceland
  - was the largest Icelandic bank
  - had expanded operations through organic growth and a number of strategic acquisitions
  - shares listed in Iceland and Stockholm
  - largest markets; UK, Denmark, Iceland
- Total assets of the Group EUR 53bn
- Total employees of the Group over 3,300
- The 7th largest bank in the Nordic region in terms of market capitalization for some time

All numbers on this slide are as of end of June 2008

The story so far…

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29 September – 9 October 2008	9 October – 22 October 2008	22 October to date
— Icelandic authorities announce their plan to acquire 75% stake in Glitnir — The rating agencies downgrade Icelandic sovereign and banks — Trading in shares in the Bank suspended — Icelandic Parliament passes the Disbursement Act — Central Bank of Iceland extends EUR 500m loan to the Bank — FSA in the UK succeeds in having administrators appointed over KSF — Board of the Bank request that the FME take control of the Bank pursuant to the Disbursement Act	— FME appoints a Resolution Committee which immediately assumes control of the Bank — New Kaupthing is created — Certain domestic assets and domestic deposits transferred to New Kaupthing	— **Resolution Committee works towards maximising the value of the assets of the Bank** — **Resolution Committee holds meetings and conference calls with ICC, informal committee of the largest creditors of the Bank** — **Moratorium granted and Olafur Gardarsson appointed as the Moratorium Supervisor** — **Filing of Voluntary Petition under Chapter 15 of the US Bankruptcy Code 30 November 2008** — **Moratorium is recognized as a foreign main proceeding under the US Bankruptcy Code** — **Entered into discussions with a prospective financial advisor to advise and assist on restructuring the Bank**

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Financial Analysis

- The financial information in the this chapter is based on 15 November 2008 which is the cut-off date the Moratorium Supervisor is obligated to use in his presentation of the Bank's financial information according to the Bankruptcy Act
- Readers' attention is drawn to the terms of the disclaimer at the beginning and the end of this presentation

The Bank's Balance Sheet

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The table below presents the Bank's balance sheet at book values for the parent company as at 30 June 2008, the latest reviewed accounts, and 15 November 2008, the latter before any impairments adjustments

All amounts in ISKbn	Notes	15.11.2008	30.06.2008
Cash and cash balance with central banks		4.012	11.591
Loans to credit institutions	1	235.300	901.441
Loans to customers	2	962.788	1.665.889
Bond from New Kaupthing	3	173.761	
Bonds and debt instruments	4	299.562	241.872
Shares and instruments with variable income	5	184.998	199.841
Derivatives	6	347.162	135.766
Derivatives used for hedging			20.432
Investments in associates	7	69.611	106.580
Investments in subsidiaries	8	533.428	385.529
Intangible assets			50.001
Property and equipment		628	9.120
Tax assets	9	2.519	1.453
Other assets	10	148.611	48.531
Total assets		**2.962.380**	**3.778.046**
Due to credit institutions and central banks		9.001	143.787
Deposits	11	96.104	496.086
Financial liabilities measured at fair value	12	148.384	111.701
Borrowings	13	2.867.206	2.284.341
Subordinated loans	14	456.707	292.925
Tax liabilities		150	55
Other liabilities	15	191.996	24.945
Total liabilities		**3.769.548**	**3.353.840**
Share capital		7.270	7.187
Share premium		136.591	148.362
Other reserves		132.241	61.196
Retained earnings		(1.083.270)	207.461
Total equity		**(807.168)**	**424.206**
Total liabilities and equity		**2.962.380**	**424.206**
Exchange rate (EUR/ISK)		171,077	150,245

Note 1: Loans to credit institutions as at 15 November 2008

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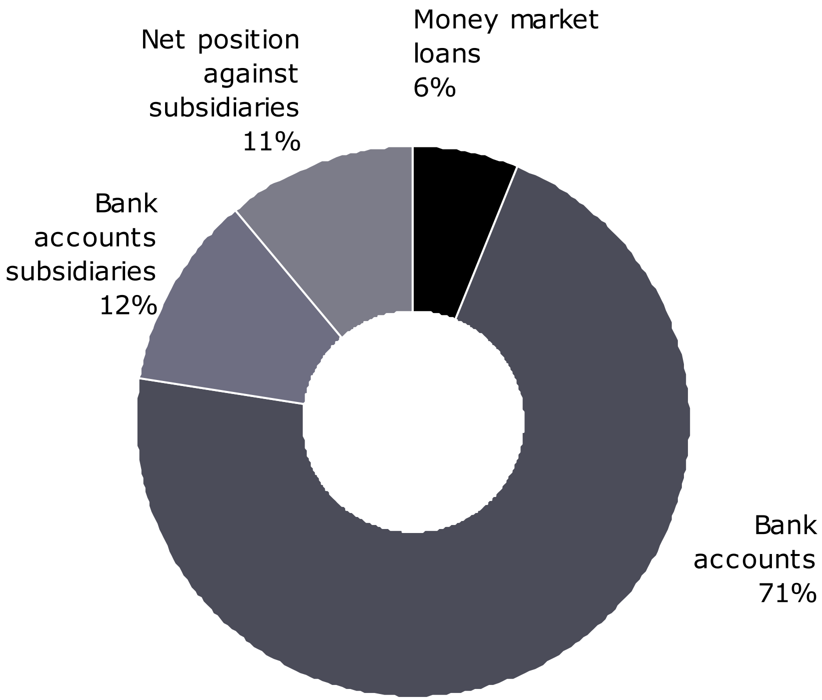
Loans to credit institutions by type of loan



- Loans to credit institutions amounted to ISK 235bn as at 15 November 2008 before any impairment adjustments
- The large drop in loans to credit institutions from the end of Q2 2008 to 15 November 2008 is primarily due to netting effects between the parent and subsidiaries as well as other financial institutions
- ISK 27bn (accounting for 11% of loans to credit institutions) represented collateral pledged on various borrowings, mainly with subsidiaries

Note 2: Loans to customers as at 15 November 2008

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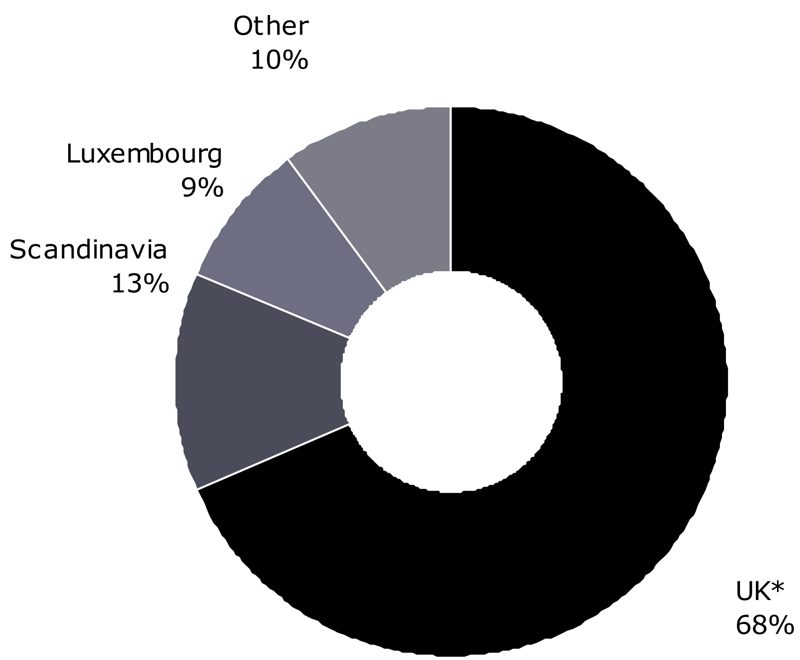
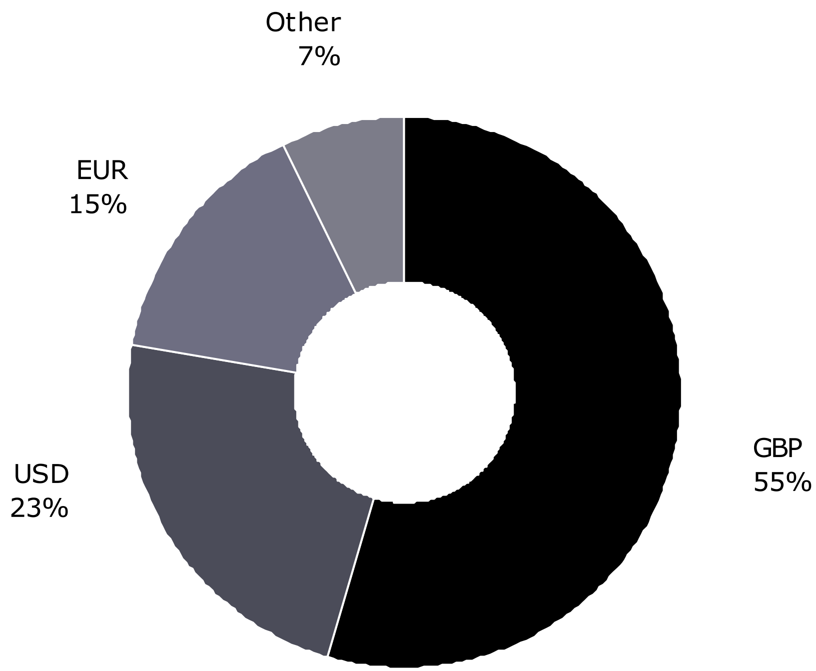
Loans to customers by geography



Loans to customers by currency



- Loans to customers amounted to ISK 963bn as at 15 November 2008 before any impairment adjustments
- The large drop in loans to customers from the end of Q2 2008 to 15 November 2008 is primarily due to the transfer of loans to customers to New Kaupthing according to the Transfer Decision
- The Bank's loan portfolio is significantly concentrated within Europe with particular focus on the UK*

* UK includes UK Overseas Territories and Crown Dependencies

Note 2: Loans to customers as at 15 November 2008 cont'd

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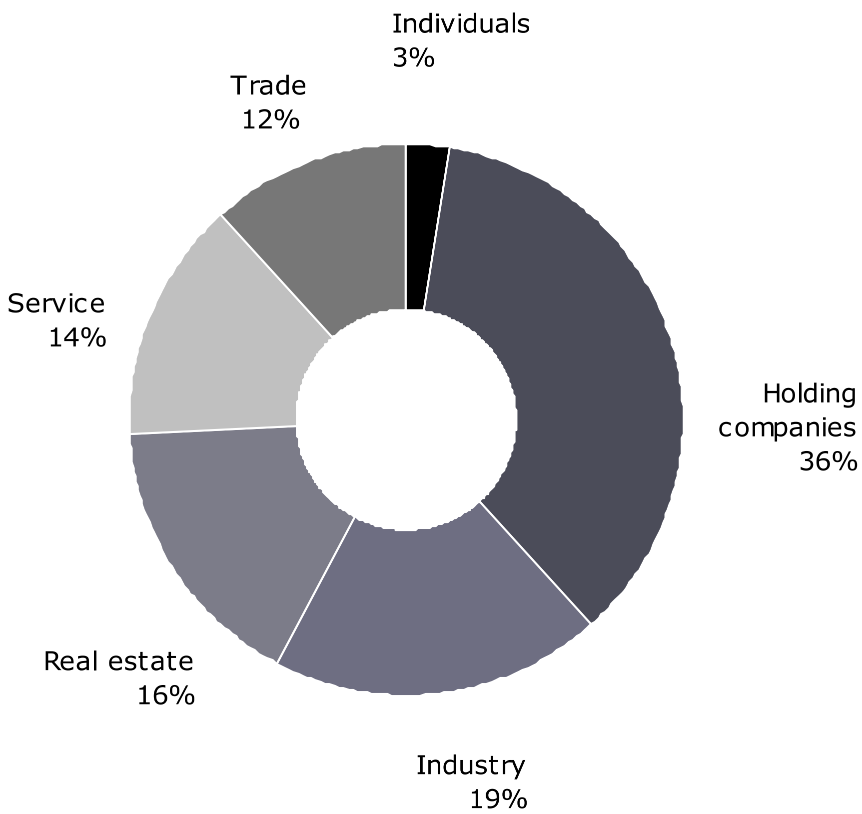
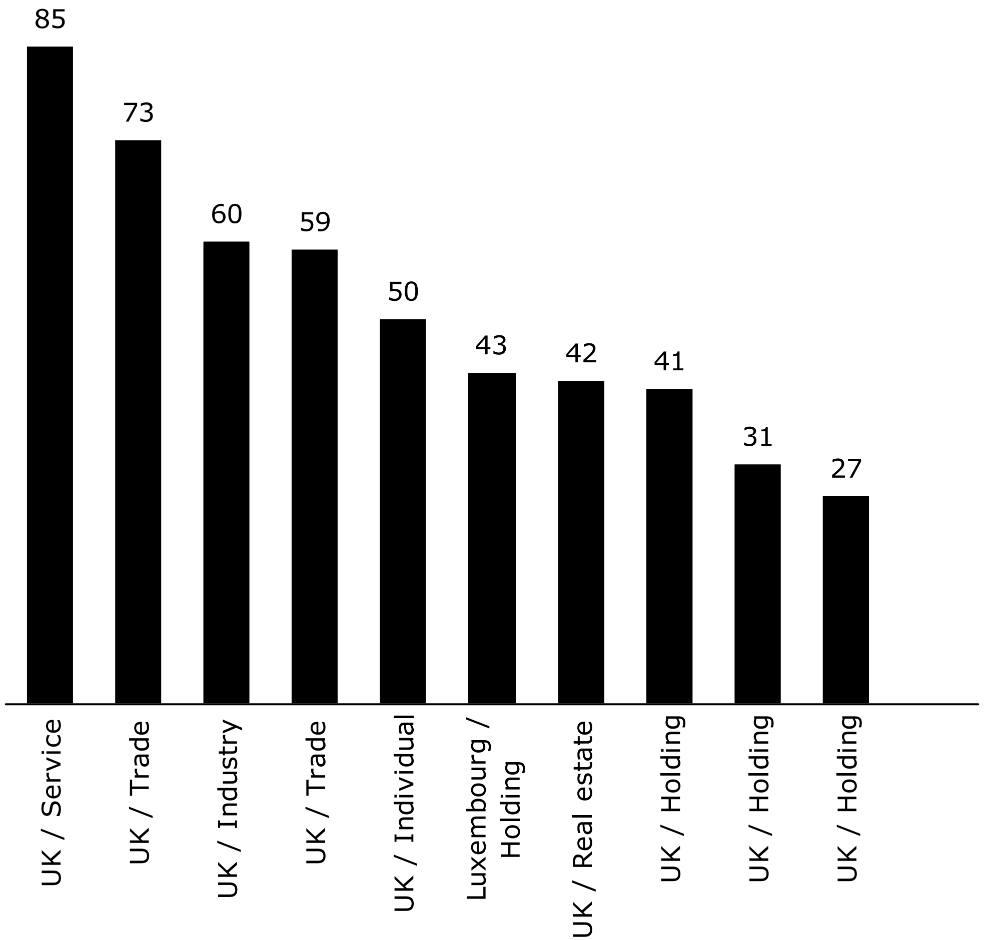
Loans to customers by sector



10 largest loans to customers (in ISKbn)



UK includes UK Overseas Territories and Crown Dependencies

Note 3: Bond from New Kaupthing

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- The estimated value of the Bond from New Kaupthing amounted to ISK 174bn as at 15 November 2008
- Under the Transfer Decision, New Kaupthing takes over all of the Bank's deposit liabilities in Iceland, and also the bulk of the Bank's assets that relate to its Icelandic operations, such as loans and other claims
- In turn New Kaupthing shall issue a bond to the Bank, equivalent to the surplus of assets over liabilities at fair value. PwC has established a preliminary statement of net assets for New Kaupthing at the date of its establishment, 22 October 2008
- This preliminary statement is used as a basis for the current valuation of the bond
- The value in terms of the bond/security have not been finalised and the ultimate value of this instrument is presently uncertain and its value is likely to be materially different from the value recorded here
- Further information can be found in chapter *5.1 The Bank/New Kaupthing split* in the Bank's creditors' report

Note 4: Bonds and debt instruments as at 15 November 2008

All amounts in ISKm	Pledged	Unpledged	Total
Listed	234.113	11.267	245.380
Unlisted	21.042	33.140	54.182
Total	**255.155**	**44.407**	**299.562**
10 largest positions:			
Central Bank of Iceland	17.717		17.717
Housing Financing Fund	16.182		16.182
Housing Financing Fund	15.391		15.391
Housing Financing Fund	11.632		11.632
Credit Suisse International		8.039	8.039
Glitnir Banki	4.959		4.959
Housing Financing Fund	4.926		4.926
Hypo Public Finance Bank	4.732		4.732
Ssif Nevada Lp	4.394		4.394
Capitalia Societa Per Azioni	4.316		4.316
Total	**84.249**	**8.039**	**92.288**

- Bonds and debt instruments amounted to ISK 300bn as at 15 November 2008
- ISK 255bn (accounting for 85% of the Bank's bond portfolio) represented collateral pledged on various borrowings, mainly repurchase agreements

Note 5: Shares and instruments with variable income as at 15 November 2008

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All amounts in ISKm	Pledged	Unpledged	Total
Listed	138.235	2.410	140.644
Unlisted	2.449	41.905	44.354
Total	**140.683**	**44.315**	**184.998**
10 largest positions:			
Trade / UK	45.451		45.451
Financial / Scandinavia	30.233	28	30.260
Industry / UK	27.208		27.208
Industry / UK	21.247		21.247
Service / Scandinavia	8.416		8.416
Trade / UK		7.509	7.509
Trade / UK		6.854	6.854
Real estate / Other		5.632	5.632
Industry / Iceland	5.439		5.439
Holding / Other		4.944	4.944
Total	**137.994**	**24.967**	**162.961**

- Shares and instruments with variable income amounted to ISK 185bn as at 15 November 2008
- ISK 141bn (accounting for 76% of the Bank's equity portfolio) represented collateral pledged on various borrowings, mainly repurchase agreements

Note 6: Derivatives as at 15 November 2008

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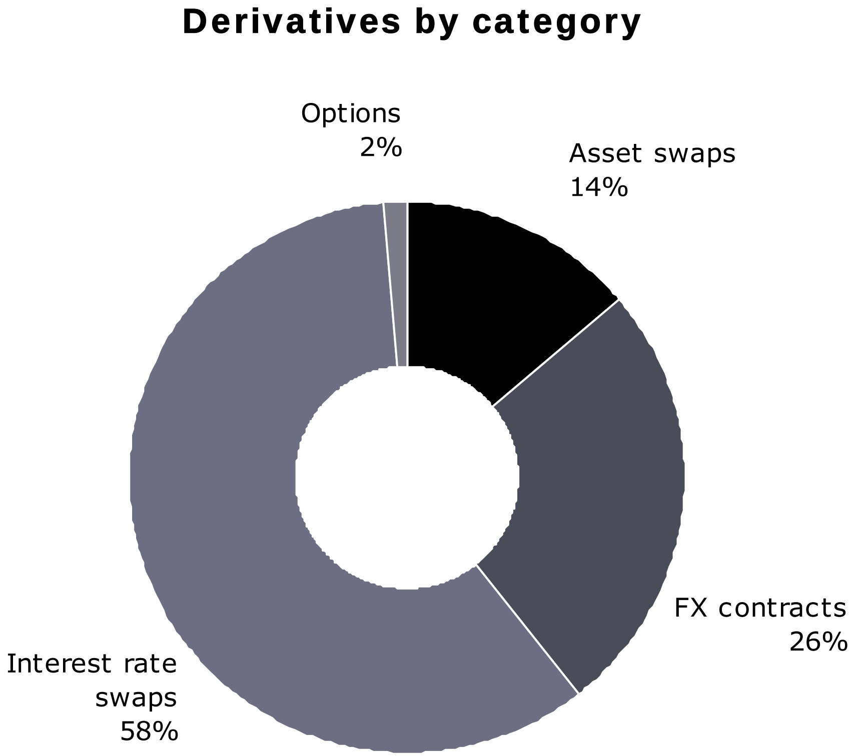


- Derivatives amounted to ISK 347bn as at 15 November 2008
- ISK 296bn (accounting for 85%) of the Bank's derivatives were with financial counterparties and ISK 51bn (accounting for 15%) were with non financial counterparties

Note 7: Investments in associates as at 15 November 2008

KAUPTHING BANK

All amounts in ISKm	Pledged	Unpledged	Total
Listed	62.299		62.299
Unlisted		7.312	7.312
Total	**62.299**	**7.312**	**69.611**
Positions:			
Storebrand	62.299		62.299
Finoble		645	645
KP II BV		6.667	6.667
Total	**62.299**	**7.312**	**69.611**

- Investments in associates amounted to ISK 70bn as at 15 November 2008
- 45% of the Storebrand position is partially pledged in a repurchase agreement and 55% is held in an account in the Bank's name in Norway. In October the Norwegian government put a freezing order on the assets of the Bank and placed the branch under administration. Recently, the Resolution Committee and the administrators in Norway agreed on a solution to release the Bank's assets under administration in Norway by paying priority claims

Note 8: Investments in subsidiaries as at 15 November 2008

All amounts in ISKm	Pledged	Unpledged	Total
Listed		10.665	10.665
Unlisted	260.110	262.653	522.763
Total	**260.110**	**273.318**	**533.428**
Positions:			
FIH	238.605		238.605
Kaupthing Bank Luxembourg		70.641	70.641
Kaupthing Singer & Friedlander		91.345	91.345
Norvestia		10.665	10.665
Kaupthing Sw eden	21.505		21.505
Singer & Friedlander Isle of Man Holdings Ltd.		14.425	14.425
Kirna and subsidiaries		70.101	70.101
New Bond Street Diversified Fund		8.320	8.320
Kaupthing ASA		3.276	3.276
Fron Insurance		1.736	1.736
Other		2.809	2.809
Total	**260.110**	**273.318**	**533.428**

- Investments in subsidiaries amounted to ISK 533bn as at 15 November 2008 before any impairment adjustments
- The Bank's largest investment in subsidiaries is FIH, a Danish bank acquired in 2004, and as at 15 November 2008, it was booked at ISK 239bn. The shares are pledged with the Central Bank of Iceland against a loan of EUR 500m loan which was granted early in October

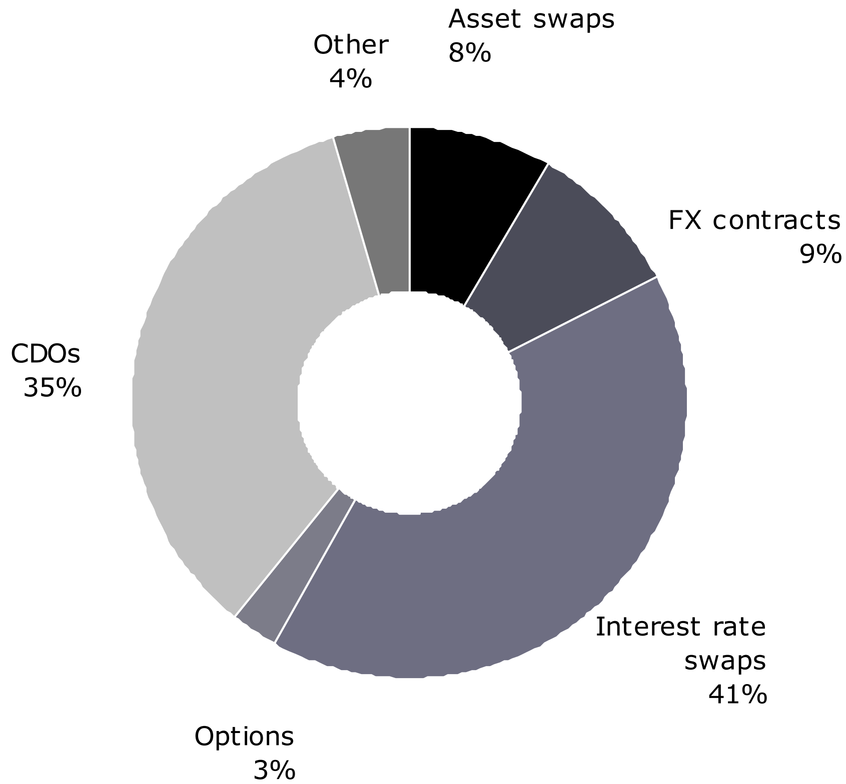
Note 11: Deposits as at 15 November 2008

All amounts in ISKm	Total
Deposits in German branch	48.415
Deposits linked to loans	47.689
Total	**96.104**

- Deposits amounted to ISK 96bn as at 15 November 2008
- The Disbursement Act defines ISK 48bn of these deposits as priority claims
- The Resolution Committee has been committed to pay back all priority claims as quickly as possible and therefore it put a great importance in settling the claims of the appr. 30.000 depositors in Germany and has put forward several proposals to achieve this
- As the Bank has now secured sufficient funds it is now possible to pay the large majority of the German depositors back
- However, EUR 55m (out of the total of EUR 330m) has been seized by DZ Bank and therefore it is not achievable to pay deposits back in full at this stage
- The Bank wants to start the payments as quickly as possible and is liaising with Bafin on the right process to achieve this
- A press release will be made once the plan is ready

Note 12: Financial liabilities measured at fair value as at 15 November 2008

Financial Liabilities measured at fair value by category



- Financial liabilities measured at fair value amounted to ISK 148bn as at 15 November 2008
- 35% of the financial liabilities measured at fair value are due to negative mark to market movements on synthetic CDO positions that were managed by New Bond Street Asset Management, a subsidiary of the Bank
- ISK 115bn (accounting for 77%) of the Bank's financial liabilities measured at fair value were with financial counterparties and ISK 34bn (accounting for 23%) were with non financial counterparties

Notes 13 & 14: Borrowings & subordinated loans as at 15 November 2008

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- Borrowings amounted to ISK 2.867bn as at 15 November 2008

All amounts in ISKm	Total
Bonds issued:	
144A	503.971
EMTN	1.252.103
Samurai	103.285
Domestic	17.945
Covered Bonds	5.475
Money market loans:	
Central Bank of Iceland - repo loans	222.352
Other banks	126.197
Bills issued	67.849
Other loans	568.029
Total	**2.867.206**

- Subordinated loans amounted to ISK 457bn as at 15 November 2008

All amounts in ISKm	Total
EMTN Tier 1	101.290
Stand alone Tier 1	95.552
Domestic Tier 1	4.618
144A Lower Tier 2	173.163
EMTN Lower Tier 2	82.084
Total	**456.707**

Estimated valuation of the Bank's assets as at 15 November 2008

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- According to article 14 of the Bankruptcy Act, the Moratorium Supervisor is obliged to present his estimate of the Bank's assets and liabilities as at the reference date, 15 November 2008, at this meeting
- The valuation presented below was carried out by the Resolution Committee and the relevant specialists within the Bank who are familiar with the assets
- The valuation has been prepared as of the reference date on the basis of an arm's length transaction between a willing seller and a willing buyer of the relevant asset
- This valuation does not take into account the impact of set-off and netting
- The preliminary estimated impact of set off and netting ranges from ISK 200-400bn., and this will clearly make a material difference to overall creditor recoveries
- The Moratorium Supervisor and the Resolution Committee would emphasise that this is a historic valuation only and one which does not take into account the Bank's current strategy, to safeguard and increase the value of the Bank's assets, and does not reflect any added value which may be achieved in a restructuring process
- Readers' attention is drawn to the terms of the disclaimer at the beginning and the end of this presentation

Estimated valuation of the Bank's assets as at 15 November 2008

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All amounts in ISKm	Balance sheet 15.11.2008 book value (1)	Pledged positions (2)	Priority claims (3)	Balance sheet 15.11.2008 after subtracting (2) and (3)	Estimated valuation 15.11.2008
Cash and cash balance with central banks	4.012			4.012	4.012
Loans to credit institutions	235.300	(27.184)		208.116	100.000
Loans to customers	962.788			962.788	250.000
Bond from New Kaupthing	173.761			173.761	170.000
Bonds and debt instruments	299.562	(255.155)		44.407	10.000
Shares and instruments with variable income	184.998	(140.683)		44.315	10.000
Derivatives	347.162			347.162	90.000
Investments in associates	69.611	(62.299)		7.312	0
Investments in subsidiaries	533.428	(260.110)		273.318	20.000
Property and equipment	628			628	0
Tax assets	2.519			2.519	0
Other assets	148.611			148.611	100.000
Priority Claims			(135.898)	(135.898)	(135.898)
Total assets	**2.962.380**	**(745.432)**	**(135.898)**	**2.081.051**	**618.114**
Senior Liabilities					
Due to credit institutions and central banks	9.001			9.001	
Deposits	96.104		(48.415)	47.689	
Financial liabilities measured at fair value	148.384			148.384	
Borrowings	2.867.206	(745.432)		2.121.775	
Tax liabilities	150			150	
Other liabilities	191.996		(87.483)	104.513	
Total liabilities	**3.312.841**	**(745.432)**	**(135.898)**	**2.431.512**	
Subordinated loans	456.707			456.707	
Share capital	7.270			7.270	
Share premium	136.591			136.591	
Other reserves	132.241			132.241	
Retained earnings	(1.083.270)			(1.083.270)	
Total equity	**(807.168)**			**(807.168)**	
Total liabilities and equity	**2.962.380**	**(745.432)**	**(135.898)**	**2.081.051**	

4

Asset Sales and Moratorium

Protecting assets and preserving value for creditors

- From inception, the Resolution Committee has focused on protecting the assets of the Bank and preserving value for creditors
- The Moratorium Supervisor and the Resolution Committee are determined to support the assets of the Bank to reach maximum value for each asset and does not entertain any "fire-sale" bids
- To minor extent, however, the Resolution Committee has disposed of overseas assets
  - local regulatory authority “freeze of assets” or agreements to prevent the freeze of certain assets
  - assets that require support beyond the means of the Bank
  - satisfactory bid price achieved taking into account the future funding support needed for maintaining these assets
- The Resolution Committee has endeavoured to convey regular update information regarding recent developments to the Bank's creditors via its website and in press releases
- Discussions with ICC on protection, maximization and realization of Bank's assets, and restructuring proposals aimed at making distributions to creditors of the Bank
- Further information regarding the Resolution Committee and its activities and asset sales can be found in Chapters 3 and 4 in the Bank's Creditors' Report

Overview of the Moratorium

- The Moratorium Supervisor and the Resolution Committee are committed to protecting the interests of creditors by preventing the provisional attachment or freezing of assets
- On 21 November 2008 the Resolution Committee filed an application for a moratorium on claims which was granted on 24 November 2008
- Application for the Moratorium was, in the opinion of the Resolution Committee, a necessary step to ensure that all creditors of the Bank are treated fairly and appropriately in accordance with Icelandic law through the protection of the Bank's assets
- Moratorium has provided the Bank with appropriate protection from legal actions, such as the freezing of assets and ensured that it maintains a banking licence sufficient to support its assets
- Since the Bank was granted a moratorium, the Resolution Committee has successfully managed to release previously frozen assets
- The Moratorium has and will continue to provide the "breathing space" needed for the Resolution Committee to develop effective asset realisation and restructuring strategies to maximise returns for all creditors of the Bank

Overview of the Moratorium

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- The Resolution Committee will continue to operate during the Moratorium with the power of the board of directors under the supervision of the Moratorium Supervisor
- Moratorium has been granted until 2pm Icelandic time on Friday 13 February 2009 at which time a further hearing will take place for the Court
- Meeting today is held for information purposes for all creditors of the Bank. However, the Moratorium Supervisor will seek opinions on the situation and on the moratorium extension from the attendees
- The Moratorium process can last for a maximum of 24 months, or until 24 November 2010

Overview of the Moratorium

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- The Moratorium can, in theory, end in a number of ways including:
    i. Debtor continuing its operation after restructuring its finances
    ii. Voluntary agreements with the creditors
    iii. Scheme of arrangement
    iv. Insolvent liquidation
- Although the moratorium process can end in number of ways it is expected that it would conclude by means of either of the following: insolvent liquidation or scheme of arrangement
- In the next chapter, we will endeavour to discuss objectively the potential options we have identified that the Bank/creditors have out of the Moratorium process
- Further information on moratorium and scheme of arrangement can be found in Chapter 6 of the Bank's Creditors' Report

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Assessment of Options for Creditors

Insolvent Liquidation

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If the moratorium period is not extended and the Bank is forced into insolvent liquidation, further value will be lost:

- Claims of the creditors of the Bank will be converted immediately into ISK as well as liquid assets, to minimize FX risk
- Management of assets vest in a liquidator who is likely to put emphasis on a direct realisation of the values of the assets
- Sale of the Bank's assets in today's market environment will have a significant downward impact on the possible debt recovery
- A Bank in an insolvent liquidation state will forfeit its banking license, face forced asset sales, and have less flexibility to support its assets
- It is likely that performing loans to customers as well as listed and unlisted assets will be sold at a substantial discount

It is therefore the opinion of the Moratorium Supervisor that this option would minimize debt recovery for the creditors of the bank and it would be in the best interests of creditors to extend the moratorium process and explore other options

Scheme of Arrangement

- Scheme of arrangement seeks to solve a debtor's financial difficulties by proportionally reducing creditors' claims and at the same time allows the debtor to stay solvent
- This arrangement endeavours to maximize debt recovery and preserves creditors' interest by granting the debtor the opportunity to be restructured and support assets instead of being forced into an immediate sale of assets
- Requires a minimum 60% support from creditors by value and number of creditors voting
- Claims converted into ISK when the original composition application is made
- Distributions can be in any currency under the scheme
- If the moratorium process of the Bank were to be concluded by scheme of arrangement, potential restructuring options of the Bank can be considered and evaluated
- Further information on scheme of arrangement can be found in Chapter 6 of the Bank's Creditors' Report

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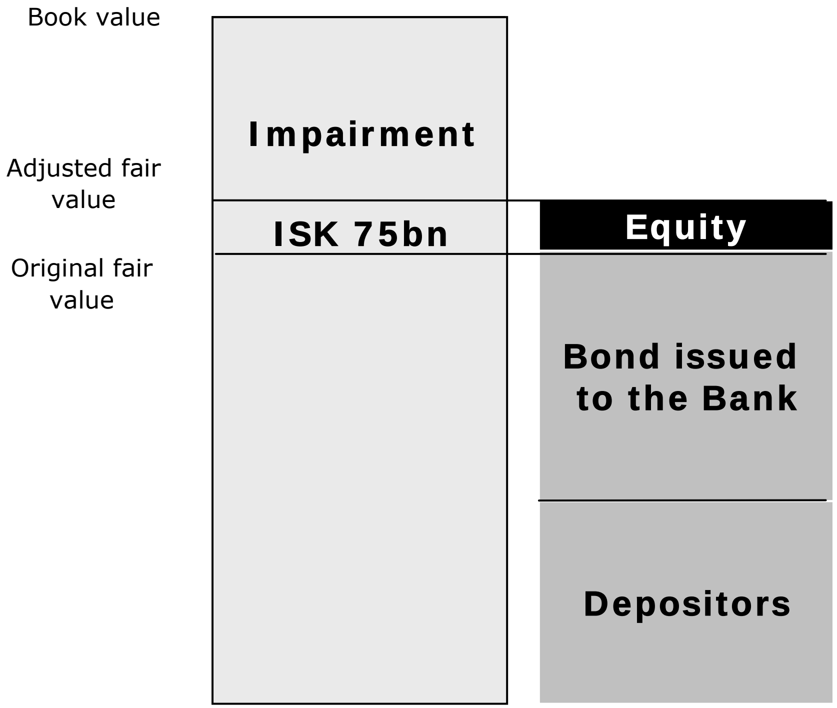
In accordance with the FME's Transfer Decision, part of the Bank's operations were transferred to New Kaupthing, in return for which New Kaupthing would issue a bond to the Bank equivalent to the surplus of assets over liabilities at fair value

The Transfer Decision was as follows:



Assuming the accounting valuation does not materially erode the equity surplus

- Assets transferred from the Bank to New Kaupthing with fair value adjustment applied
- Bond to the Bank to be valued at difference between fair value of New Kaupthing assets less value of New Kaupthing depositors
- Cash injection by Icelandic Government primarily to provide New Kaupthing with liquidity

Consideration of Wider Restructuring Options

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- Resolution Committee has learned via discussions with the creditor community that they find the valuation approach introduced in the initial Transfer Decision subject to interpretation and assumptions and creditors might therefore not receive the maximum value possible for these assets.
- Some creditors have suggested that consideration should also be given to alternative options for structuring ownership of New Kaupthing as well as additional restructuring scenarios. They would like to see the following objectives carefully looked into:
  - Avoid relying solely on the methodology suggested in the Transfer Decision in valuating the assets transferred to New Kaupthing as it is subject to various debatable assumptions
  - Most of the potential future upside of the assets in New Kaupthing should flow back to creditors
  - If the government injects capital into New Kaupthing, some upside sharing between the creditors and the government should be recognized
  - Most of creditors' exposure to New Kaupthing should be in the form of a senior debt
- Both the Moratorium Supervisor and the Resolution Committee understand creditors' concerns and believe that maximum debt recovery for creditors will not be achieved via insolvent liquidation or the Transfer Decision but via an alternative solution

Consideration of Wider Restructuring Options

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- The Resolution Committee is committed to obtaining advice where appropriate to ensure that the value of assets is maximised for the benefit of creditors
- Therefore, the Resolution Committee is in discussions with a prospective financial advisor to take on a financial advisory role and investigate alternative solutions to restructure the Bank. Their role is to ensure that the creditors will receive maximum value for all of their assets

The Relationship between the Bank and New Kaupthing

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- Rather than New Kaupthing paying the Bank for the transferred assets with a bond issue and the Icelandic government as the sole owner of New Kaupthing, a series of alternative ideas have been explored
- The ideas range from relying solely on the Icelandic government to inject the equity into New Kaupthing, and thereby retaining all the future upside, to the opposite where creditors retain the full equity upside and are in turn fully responsible for the capitalization of New Kaupthing

Wider Restructuring Options

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- It is the ultimate role of the Moratorium Supervisor and the Resolution Committee to maximize the value of the Bank's assets and pass on the value to its creditors
- Creditors have expressed their views that the maximum value of the assets would not be reached via asset sales under current market conditions
- Therefore, the Moratorium Supervisor and the Resolution Committee have been working on other solutions to preserve the value of these assets until markets recover
- In most cases, the assets need to be held for some time for them to redeem at full value
- According to the Bank's strategy, assets are only sold if they require support beyond the means of the Bank or if a satisfactory bid price can be achieved for them after taking into account the future funding support needed to maintain these assets
- Therefore, the Resolution Committee will also ask the financial advisor to come up with structuring ideas on how the assets can be passed over to creditors at a later stage
- All these ideas should aim at providing ongoing support to the assets and building a structure where creditors can exit their holdings over time by selling bonds and/or shares

The Bank's Coordination Group

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- As some of the restructuring ideas may require an input and acceptance from other parties than the Bank's creditors, the Resolution Committee asked for a Coordination Group to be set up between the Resolution Committee, ministries and the Icelandic Central Bank
- In order to ensure that appropriate parties are consulted and that the Resolution Committee has the requisite authority to advance restructuring strategies, a coordination group has recently been formed
- The Resolution Committee is fully independent from the coordination group and continues to be free to consider and to develop restructuring options

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Summary and Next Steps

Next Steps – a Proposition to Extend the Moratorium

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- In this presentation we have recapitulated the bank's position, its future outlook and potential alternatives
- Next steps: insolvent liquidation or the continuation of the moratorium with the aim of maximising the value of the bank's assets for the benefit of the creditors
- On the meeting on 13 February 2009, the District Court of Reykjavik will decide whether an extension to the moratorium will be granted
- It is the opinion of both the Moratorium Supervisor and the Resolution Committee that the interests of the creditors are best served by applying for an extension of the moratorium
- The Moratorium Supervisor and the Resolution Committee have therefore decided to ask for 9 months extension

Next Steps – a Proposition to Extend the Moratorium

- The Resolution Committee's petition to the court which has been agreed by the Moratorium Supervisor is e.g. based on the following arguments:
- Prevent forced assets sales:
  - liquidator in a insolvent liquidation state would most likely put emphasis on a direct realization of assets
  - Bank in a moratorium can retain its banking licence
- Entity in insolvent liquidation state has less flexibility, time, and negotiation power to maximize value of assets
- By being in a moratorium, the Bank maintains its ability to support assets when needed
- The remaining arguments in the petition can be found in Chapter 8 of the Bank's Creditors' Report

Q&A

Disclaimer

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(b) Additional claims being made against the Bank

(c) The realisation method(s) used over time

(d) The impact of set off and netting including in connection with derivative contracts

(e) Movements in currency exchange rates and interest rates

(f) Prevailing market conditions when assets are sold

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