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# Statement of Assets

30 June 2010

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## Disclaimer

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This report does not include an estimate of the likely level of recoveries for creditors. Very material uncertainties continue to exist regarding the timing and realisable value of assets and the eventual level of creditors' claims. The Resolution Committee wish to caution creditors against using the data in this report to estimate likely recovery as any such estimates are likely to be materially misleading. The actual realisable value of the Bank's assets and liabilities may differ materially from the values set forth herein. Factors which may lead to material differences include:

- (a) Resolution of issues regarding the quantum of claims
- (b) The realisation method(s) used over time
- (c) The impact of set off and netting including in connection with derivative contracts
- (d) Movements in currency exchange rates and interest rates
- (e) Prevailing market conditions

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## Statement of Assets

*Please note that supplementary material to this Statement of assets can be found in a presentation which is published on the Bank's website in connection with the publication of the Creditors' Report.*

### **Valuation of the Bank's assets**

The financial information in this subchapter as at 30 June 2010 and 31 December 2009 was prepared by the ResCom and employees of Kaupthing with the assistance of external advisors where appropriate for Kaupthing Bank hf., the parent company. The financial information is neither audited nor reviewed by independent auditors. The financial information is presented in Icelandic krona ("ISK"), rounded to the nearest million.

The ResCom emphasizes that the valuation herein is a historic valuation only, and one which only takes into account the Bank's current strategy, to safeguard and increase the value of the Bank's assets achieved to 30 June 2010 and not thereafter. No attempts were made to assess the possible future value of assets, or to estimate likely recovery of creditors' claims. Whilst significant data is included in this report, readers are cautioned against estimating the likely level of recoveries as material uncertainties exist regarding, inter alia, the level of realizations and eventual level of recognized claims.

A formal process for the creditors of the Bank to file claims against the Bank began on 30 June 2009 and ended on 30 December 2009. The liabilities of the Bank are currently being determined through a formal process administered by the Winding-up Committee. Until the Winding-up Committee has taken decisions on all claims and disputes have been settled, the real and accurate amount of liabilities is uncertain. According to Act no. 44/2009, claims should generally be filed as at 22 April 2009 in the relevant currency and converted into ISK at the exchange rate published by the Central Bank of Iceland on 22 April 2009. Hence, the liability side has been fixed in ISK as at that date. The estimated liability side fixed at 22 April 2009 was published in the Bank's half year figures as at 30 June 2009. In the event there are discrepancies between the liabilities estimate presented by the Resolution Committee there and the accepted claims finally determined by the Winding-up Committee, the determination of the latter prevails. The notes to the Statement of Assets include summary information from the Winding-up Committee's List of Claims as at 23 September 2010.

The Bank continues work on further confirming and ascertaining earlier accounting of the Bank's assets. In some cases however, the data and information used in this work is incomplete or insufficient. In such cases the Bank uses best efforts and cautious valuation methods in determining asset value. Due to the aforesaid, some discrepancies are inevitable when comparing earlier financial statements published by the Bank. The Bank endeavours to use the most accurate information available at any given time for the preparation of financial information and reserves the right to make any necessary amendments to the financial information from time to time to reflect any changes.

The valuation of assets does not fully take into account the impact of set-off. Set-off impact could clearly make a material difference to overall creditor recoveries. Further information on set-off is provided in note 29. Further information will be provided on this matter as it becomes available.

As noted in this report's disclaimer, the actual realisable value of the Bank's assets and liabilities may differ materially from the values set forth herein. Factors which may lead to material differences include:

- (a) Resolution of issues regarding the quantum of claims
- (b) The realisation method(s) used over time
- (c) The impact of set off and netting including in connection with derivative contracts
- (d) Movements in currency exchange rates and interest rates
- (e) Prevailing market conditions

The financial information as it appears may be a redacted version and should be viewed as such. Readers' attention is drawn to other terms of the disclaimer at the beginning and the end of this report.

## Valuation methodology

The valuation methodology for each asset class is abbreviated below .

Cash in hand	The balance of all cash accounts as at 30 June 2010 without any discount and including accrued unpaid interest up to 30 June 2010.
Loans to and claims against credit institutions	Loans to and claims against credit institutions are valued at estimated fair value. Estimated credit risk of the counterparty has been taken into account in provisions for losses.
Loans to customers	<p>Loans to customers are valued at estimated fair value. The methods of assessing the fair value of the loans are based on the principles presented in the September 2009 edition of the International Private Equity and Venture Capital Valuation Guidelines (can be found at <a href="http://www.evca.eu">www.evca.eu</a>, the official website of European Private Equity &amp; Venture Capital Association). The Fair Value derived is an estimate of the hypothetical price at which an orderly transaction would take place between market participants at the reporting date and not the price the Bank could expect to receive in a forced transaction, insolvent liquidation or a distressed sale. However the hypothetical price takes into account the market conditions as at the reporting date. The methods applied for valuation are the following (in order of importance):</p> <ol style="list-style-type: none"><li>1) Valuation of loans that have traded recently is based on the transaction value (i.e. last price). The background to the respective transaction and any substantial price fluctuations (general and abstract) that may have characterized such a trade are taken into consideration;</li><li>2) Received recent offers for loans or known recent trades of comparable loans;</li><li>3) The value of the underlying collateral, in particular for asset backed loans, using 3rd party valuations of the collateral where applicable; and</li><li>4) 3rd party valuations of loans.</li></ol> <p>5) When nothing of the above was available, the Bank applied one of the following methods:</p> <ol style="list-style-type: none"><li>a) for loans of carrying value, i.e. notional value including accrued interests, exceeding ISK 2 billion, a judgment is made of the value of individual loans applying an appropriate and reasonable valuation multiples or other valuation techniques likely to be used by a prospective purchaser of the loan and for comparable loans, taking into account ranking of the relevant loans in the capital structure, or;</li><li>b) for loans with carrying value of less than ISK 2 billion a categorization into good-, medium-, and poor assets based on each account managers judgment and the data at hand. The categories were assigned with the following valuations: "Poor asset" valued at 20% of carrying value, "medium asset" valued at 50% of carrying value, and finally a "good asset" valued at 75% of carrying value. The values assigned reflect the loan market in general by taking into account various loan indices with appropriate discounts for the Bank's portfolio due to lack of liquidity and the small-scale size of these exposures. For loans with less than ISK 2 billion carrying value but where information according to valuation method 5 a) has been gathered then valuation according method 5 a) is used.</li></ol>
Bonds and debt instruments	<p>Listed and liquid: The assets in this asset category are valued at estimated fair value based on the quoted closing price on 30 June 2010.</p> <p>Unlisted and listed illiquid: The assets in this asset category are valued at estimated fair value. The methods of assessing the fair value are based on the principles presented in the September 2009 edition of the International Private Equity and Venture Capital Valuation Guidelines and are similar to the methodology applied to the Loans to Customers as described above. Illiquidity discount was applied to less liquid positions.</p> <p>Pledged positions: the pledged positions are represented at the assumed market value of the underlying collateral as at the bank's interpretation of the valuation date of the underlying agreements.</p>
Shares and instruments with variable income	<p>Listed and liquid: The assets in this asset category are valued at estimated fair value based on the quoted closing price on 30 June 2010.</p> <p>Unlisted and listed illiquid: The assets in this asset category are valued at estimated fair value. The methods of assessing the fair value are based on the principles presented in the September 2009 edition of the International Private Equity and Venture Capital Valuation Guidelines and are similar to the methodology applied to the Loans to Customers as described above. Illiquidity discount was applied to less liquid positions.</p> <p>Pledged positions: the pledged positions are represented at the assumed market value of the underlying collateral as at the Bank's interpretation of the valuation date of the underlying agreements.</p>

Derivatives and unpaid derivatives	<p>This category includes mainly terminated trades but some trades are still live. Terminated trades are converted to the relevant termination currency as at the termination date where relevant, e.g. for ISDA counterparties and for most asset swap contracts. Other contracts are booked in accordance with the original contract currencies.</p> <p>The calculated amount of derivatives before provisions is based on the Bank's own valuations, which may differ significantly from the final settlement amounts. When determining the value of more complex derivatives and structured products, the Bank is using the services of external advisors as appropriate who specialize in derivative valuations and risk management services. Derivative assets and liabilities with the same legal entity are netted.</p> <p>Most of the derivatives are not quoted in active markets but in that case the valuation is based on quoted prices. A market is considered active if quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions on an arm's length basis. For all other derivatives fair value is determined by using valuation techniques. The Bank uses widely recognised valuation models for the common and simpler derivatives like options and interest rate and currency swaps. For more complex instruments, the Bank uses proprietary models, which usually are developed from recognised valuation models. Some of the inputs into these models may not be directly observable from market data but are commonly derived from market observables, e.g. from market prices or rates.</p> <p>Default valuation rules under the ISDA framework generally favour the non-defaulting counterparty which may result in adverse effect on the value of the derivatives. Once ISDA derivative contracts have been terminated the non-defaulting counterparty must determine the net amounts owed by or to the defaulting counterparty. Close-out notices providing details of such calculations enable the Bank to reconcile amounts. Some provisions were made to the Bank's valuation of ISDA derivatives to account for potential disputes in valuation. For Non-ISDA counterparties, a significant valuation adjustment was made on derivative assets to account for credit, liquidity and collateral risk associated with each counterparty.</p> <p>Foreign exposures in this category on the asset side are converted to ISK as at the date of this account, 30 June 2010.</p>
Investments in subsidiaries	<p>Investments in subsidiaries are accounted for by an equity method where value is derived from subsidiaries net assets as at 30 June 2010 except for FIH which is shown as fully pledged against a loan with the Central Bank of Iceland at the estimated current value of the obligation.</p>
Other assets	<p>Other assets are valued at estimated fair value. Estimated credit risk of the counterparty has been taken into account in provisions for losses.</p>

## Statement of Assets

### 30 June 2010

	Notes	30.06.2010	31.12.2009
<b>Assets</b>			
Cash in hand .....	3	195.456	176.066
Loans to and claims against credit institutions .....	4-7	305.329	323.267
Loans to customers .....	8-14	304.013	450.948
Bonds and debt instruments .....	15-17	56.108	63.025
Shares and instruments with variable income .....	18-21	197.485	178.379
Derivatives and unpaid derivatives .....	22-23	229.930	239.017
Investments in subsidiaries .....	24	216.114	141.626
Other assets .....	25	2.522	7.540
	<b>Total Assets</b>	<b>1.506.957</b>	<b>1.579.868</b>
	<b>Total Assets in mEUR</b>	<b>9.611</b>	<b>8.788</b>

All amounts in ISK million unless otherwise specified.

## Notes on the Statement of Assets

1. Breakdown of assets at fair value net of pledged assets and liabilities related to estate admin cost and known priority liabilities - estimated netting due to derivatives is taken into account:

	30.6.2010		Liabilities related to admin cost and known liabilities*	30.6.2010	31.12.2009	30.6.2009
	Fair value	Pledged positions		Fair value (net)	Fair value (net)	Fair value (net)
<b>Assets</b>						
Cash in hand .....	195.456	-	-	195.456	176.066	98.799
Loans to and claims against credit institutions .....	305.329	(266.679)	-	38.650	53.481	42.899
Loans to customers .....	304.013	-	-	304.013	366.894	357.259
Bonds and debt instruments .....	56.108	(48.930)	-	7.178	9.539	12.344
Shares and instruments with variable income .....	197.485	(139.964)	-	57.521	28.849	35.055
Derivatives and unpaid derivatives .....	229.930	(115.454)	-	114.476	118.812	102.556
Investments in subsidiaries .....	216.114	(102.451)	-	113.663	27.276	26.077
Other assets .....	2.522	-	-	2.522	7.540	9.102
<b>Total assets at fair value .....</b>	<b>1.506.957</b>	<b>(673.478)</b>	<b>-</b>	<b>833.479</b>	<b>788.457</b>	<b>684.091</b>
Less: Liabilities related to estate admin cost and known priority liabilities* .....	-	-	(30.960)	(30.960)	(45.545)	(53.022)
<b>Total .....</b>	<b>1.506.957</b>	<b>(673.478)</b>	<b>(30.960)</b>	<b>802.519</b>	<b>742.912</b>	<b>631.069</b>
Total in mEUR .....	9.611	(4.295)	(197)	5.118	4.132	3.525

\* Liabilities related to the administration of the estate and known priority liabilities represent liabilities which are listed by the Resolution Committee in note 28. Until all claims have been recognized and disputes settled by the Winding-up Committee, the real and accurate amount of liabilities, including but not limited to priority claims, is uncertain. It should also be noted that this estimate is put forth by the Resolution Committee and does not reflect the decisions of the Winding-up Committee on individual claims.

The valuation herein of the Bank's assets is based on the methodologies described in the chapter 2.1.1 Valuation Methodology and is a historical valuation only. No attempts were made at this time to assess the possible future value of assets, nor to estimate likely recovery of creditors' claims.

The table above does not fully take into account the impact of set-off as further described in note 29.

It should also be noted that there were significant movements in foreign exchange rates in H1 2010. FX conversion table can be found in note 30.

2. Breakdown of assets on carrying value and fair value:

	30.6.2010			Fair value (net)
	Carrying value	Carrying value (unpledged)	Provision	
Cash in hand .....	195.456	195.456	-	195.456
Loans to and claims against credit institutions .....	340.202	73.523	(34.873)	38.650
Loans to customers .....	1.233.716	1.233.716	(929.703)	304.013
Bonds and debt instruments .....	56.108	7.178	-	7.178
Shares and instruments with variable income .....	197.485	57.521	-	57.521
Derivatives and unpaid derivatives .....	369.216	253.762	(139.286)	114.476
Investments in subsidiaries .....	216.114	113.663	-	113.663
Other assets .....	41.981	41.981	(39.459)	2.522
<b>Total assets .....</b>	<b>2.650.278</b>	<b>1.976.800</b>	<b>(1.143.321)</b>	<b>833.479</b>
Total assets in mEUR .....	16.903	12.608	(7.292)	5.316

### Cash in hand

3. Cash in hand broken down by currency:

	30.6.2010	31.12.2009
	Total	Total
EUR .....	56.661	40.865
GBP .....	50.193	41.353
NOK .....	27.498	26.441
SEK .....	26.810	24.730
USD .....	22.935	17.240
ISK .....	7.475	22.999
Other .....	3.884	2.438
<b>Cash in hand .....</b>	<b>195.456</b>	<b>176.066</b>
Cash in hand in mEUR .....	1.247	979

## Loans to and claims against credit institutions

4. Loans to and claims against credit institutions specified by types of loans at carrying value:

	30.6.2010		31.12.2009	
	Unpledged	Pledged	Total	Total
Bank accounts .....	21.580	141.563	163.143	280.579
Subordinated loans to subsidiaries .....	46.054	125.116	171.170	172.861
Other loans .....	5.889	-	5.889	5.946
<b>Loans to and claims against credit institutions .....</b>	<b>73.523</b>	<b>266.679</b>	<b>340.202</b>	<b>459.386</b>
Loans to and claims against credit institutions in mEUR .....	469	1.701	2.170	2.555

5. Loans to and claims against credit institutions specified by types of loans at fair value:

	30.6.2010		31.12.2009	
	Unpledged	Pledged	Total	Total
Bank accounts .....	21.580	141.563	163.143	181.394
Subordinated loans to subsidiaries .....	15.687	125.116	140.803	140.965
Other loans .....	1.383	-	1.383	908
<b>Loans to and claims against credit institutions .....</b>	<b>38.650</b>	<b>266.679</b>	<b>305.329</b>	<b>323.267</b>
Loans to and claims against credit institutions in mEUR .....	246	1.701	1.947	1.798

6. Loans to and claims against credit institutions specified by geographical location of the counterparty at carrying value:

	30.6.2010		31.12.2009	
	Unpledged	Pledged	Total	Total
Domestic .....	5.423	125.813	131.236	129.286
Foreign .....	68.100	140.866	208.966	330.100
<b>Loans to and claims against credit institutions .....</b>	<b>73.523</b>	<b>266.679</b>	<b>340.202</b>	<b>459.386</b>
Loans to and claims against credit institutions in mEUR .....	469	1.701	2.170	2.555

7. Loans to and claims against credit institutions specified by geographical location of the counterparty at fair value:

	30.6.2010		31.12.2009	
	Unpledged	Pledged	Total	Total
Domestic .....	1.147	125.813	126.960	124.587
Foreign .....	37.503	140.866	178.369	198.680
<b>Loans to and claims against credit institutions .....</b>	<b>38.650</b>	<b>266.679</b>	<b>305.329</b>	<b>323.267</b>
Loans to and claims against credit institutions in mEUR .....	246	1.701	1.947	1.798

## Loans to customers

8. Loans to customers at carrying value and fair value - breakdown by portfolio:

	30.6.2010		31.12.2009	
	Carrying value	Fair value	Carrying value	Fair value
Europe .....	243.421	146.604	325.803	176.033
Nordic .....	179.489	120.627	231.377	152.294
NOA* .....	810.806	36.782	707.983	38.567
Pledged** .....	-	-	107.917	84.054
<b>Loans to customers .....</b>	<b>1.233.716</b>	<b>304.013</b>	<b>1.373.080</b>	<b>450.948</b>
Loans to customers in mEUR .....	7.869	1.939	7.638	2.508

\* Non-operational assets

\*\* Includes a portfolio of ISK mortgage loans, FX mortgage loans and loans to Icelandic municipalities, organisations and other government related entities, which had previously been pledged by the Bank to the ICB. In January 2010 this portfolio, ISK 84.054 million (at fair value) along with ISK 28.771 million (at fair value) of loans from the loans to customers' portfolio, was injected into Arion Bank as part of the Bank's capitalization of Arion Bank.



9. Loans to customers specified by sectors:

	30.6.2010		31.12.2009	
	Carrying value	Fair value	Carrying value	Fair value
Industry .....	176.608	80.675	206.694	99.980
Real estate .....	146.321	64.073	172.888	83.457
Holding companies .....	708.194	50.613	615.637	58.715
Trade .....	54.461	48.055	114.706	64.129
Service .....	48.456	36.723	66.350	52.776
Individuals .....	99.676	23.874	196.805	91.891
<b>Loans to customers .....</b>	<b>1.233.716</b>	<b>304.013</b>	<b>1.373.080</b>	<b>450.948</b>
Loans to customers in mEUR .....	7.869	1.939	7.638	2.508

10. Loans to customers specified by geographical location:

	30.6.2010		31.12.2009	
	Carrying value	Fair value	Carrying value	Fair value
Scandinavia* .....	312.077	142.472	388.201	257.497
UK** .....	665.555	136.434	709.573	153.308
Other .....	256.084	25.107	275.306	40.143
<b>Loans to customers .....</b>	<b>1.233.716</b>	<b>304.013</b>	<b>1.373.080</b>	<b>450.948</b>
Loans to customers in mEUR .....	7.869	1.939	7.638	2.508

\* Scandinavia includes Iceland

\*\* UK includes UK overseas territories and Crown dependencies

In almost all cases, the geographical location is determined by using the registration country of the underlying operation.

11. Loans to customers - breakdown by currency:

	30.6.2010		31.12.2009	
	Carrying value	Fair value	Carrying value	Fair value
GBP .....	458.551	136.608	531.676	156.033
SEK .....	111.284	66.439	127.294	74.832
EUR .....	285.831	51.659	259.287	79.106
USD .....	259.053	31.179	234.847	40.651
Other .....	118.997	18.128	219.976	100.326
<b>Loans to customers .....</b>	<b>1.233.716</b>	<b>304.013</b>	<b>1.373.080</b>	<b>450.948</b>
Loans to customers in mEUR .....	7.869	1.939	7.638	2.508

12. Ten largest loans in loans to customers at fair value - sector and geographical location:

	30.6.2010	31.12.2009
UK* / Trade .....	9%	7%
UK* / Real estate .....	8%	5%
UK* / Holding company .....	8%	6%
Scandinavia** / Industry .....	6%	4%
Other / Real estate .....	6%	4%
Scandinavia** / Industry .....	4%	3%
Scandinavia** / Real estate .....	4%	3%
Scandinavia** / Industry .....	3%	2%
UK* / Service .....	3%	3%
UK* / Service .....	3%	2%

\* UK includes UK overseas territories and Crown dependencies

\*\* Scandinavia includes Iceland

In almost all cases, the geographical location is determined by using the registration country of the underlying operation.

13. Loans to customers - breakdown by performance:

	30.6.2010							
	Europe*		Nordic		NOA		Total	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Performing loans .....	75,2%	95,6%	76,3%	79,1%	0,0%	0,0%	23,2%	75,9%
Loans on view list .....	0,0%	0,0%	10,6%	12,7%	0,0%	0,0%	1,6%	5,5%
Loans on watch list .....	24,8%	4,4%	13,1%	8,2%	100,0%	100,0%	75,2%	18,6%
	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%

\* The Europe portfolio excludes project Los Angeles and the Bank's financing of NoHo Square (real-estate development at standstill) where the Bank has also all the equity.

The performance categories are defined as follows:

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.

14. Loans to customers - maturity profiles by portfolios:

	30.6.2010			
	Europe*	Nordic	NOA	Total
In default* .....	10.214	15.947	810.806	836.967
2010 .....	7.984	39.473	-	47.457
2011 .....	44.625	18.447	-	63.072
2012 .....	42.102	29.698	-	71.800
2013 .....	17.568	28.630	-	46.198
2014 .....	22.749	40.341	-	63.090
2015 and later .....	55.626	6.953	-	62.579
<b>Total .....</b>	<b>200.868</b>	<b>179.489</b>	<b>810.806</b>	<b>1.191.163</b>
Total in mEUR .....	1.281	1.145	5.171	7.597

\* The Bank's financing of NoHo Square (real-estate development at standstill) where the Bank has also all the equity is not included in the numbers presented above.

The maturity profile is based on the carrying value translated at the 30 June 2010 spot rate.

The table above is based on contractual maturity specified in the underlying loan agreements unless an acceleration event has occurred. Due to restructurings and re-financing the maturity profile may change over time.

**Bonds and debt instruments**

15. Bond and debt instruments are specified as follows:

	30.6.2010			31.12.2009
	Unpledged	Pledged	Total	Total
Listed .....	6.436	43.276	49.712	56.442
Unlisted .....	742	5.654	6.396	6.583
<b>Bonds and debt instruments .....</b>	<b>7.178</b>	<b>48.930</b>	<b>56.108</b>	<b>63.025</b>
Bonds and debt instruments in mEUR .....	46	312	358	351

16. Bonds and debt instruments specified by issuer:

	30.6.2010			31.12.2009
	Unpledged	Pledged	Total	Total
Financial institutions .....	-	30.281	30.281	33.853
Housing Financing Fund .....	4.845	8.317	13.162	13.484
Government .....	1.770	8.289	10.059	12.939
Corporates .....	563	2.043	2.606	2.749
<b>Bonds and debt instruments .....</b>	<b>7.178</b>	<b>48.930</b>	<b>56.108</b>	<b>63.025</b>
Bonds and debt instruments in mEUR .....	46	312	358	351

The pledged positions are represented at the assumed market value of the underlying collateral as at the Bank's interpretation of the valuation date of the underlying agreements.

17. Unpledged positions in bonds and debt instruments broken down by currencies:

	30.6.2010
ISK .....	6.615
USD .....	563
<b>Unpledged positions in bonds and debt instruments .....</b>	<b>7.178</b>
Unpledged positions in bonds and debt instruments in mEUR .....	46

**Shares and instruments with variable income**

18. Shares and instruments with variable income are specified as follows:

	30.6.2010		31.12.2009	
	Unpledged	Pledged	Total	Total
Listed .....	5.454	139.964	145.418	154.648
Unlisted .....	52.067	-	52.067	23.731
<b>Shares and instruments with variable income .....</b>	<b>57.521</b>	<b>139.964</b>	<b>197.485</b>	<b>178.379</b>
Shares and instruments with variable income in mEUR .....	367	893	1.260	992

19. Ten largest positions in shares and instruments with variable income - sector and geographical location:

	30.6.2010		31.12.2009	
	Unpledged	Pledged	Total	Total
Trade/UK .....	-	40.740	40.740	43.474
Service/UK .....	-	31.674	31.674	33.769
Financial/Scandinavia .....	-	27.599	27.599	29.835
Industry/UK .....	-	22.843	22.843	24.246
Retail/UK .....	20.046	-	20.046	1.824
Industry/Other .....	10.900	-	10.900	6.671
Retail/UK .....	7.541	-	7.541	5.674
Financial/Scandinavia .....	-	6.615	6.615	7.022
Financial/Other .....	6.428	-	6.428	4.494
Industry/Scandinavia .....	-	5.615	5.615	6.001
<b>Ten largest positions total .....</b>	<b>44.915</b>	<b>135.086</b>	<b>180.001</b>	<b>163.010</b>
Ten largest positions total in mEUR .....	286	862	1.148	907

\* Scandinavia includes Iceland

The pledged positions are represented at the assumed market value of the underlying collateral as at the Bank's interpretation of the valuation date of the underlying agreements.

20. Ten largest unpledged positions in shares and instruments with variable income - sector and geographical location:

	30.6.2010	31.12.2009
Retail/UK .....	20.046	1.824
Industry/Other .....	10.900	6.671
Retail/UK .....	7.541	5.674
Financial/Other .....	6.428	4.494
Industry/UK .....	3.266	2.929
Real estate/UK .....	3.032	3.136
Other/UK .....	1.966	203
Retail/UK .....	993	203
Industry//UK .....	848	760
Real estate/Other .....	779	809
<b>Ten largest unpledged positions total .....</b>	<b>55.799</b>	<b>26.703</b>
Ten largest unpledged positions total in mEUR .....	356	149

21. Unpledged positions in shares and instruments with variable income broken down by currencies:

	30.6.2010
GBP .....	35.462
EUR .....	17.343
USD .....	3.709
SEK .....	467
NOK .....	407
DKK .....	133
<b>Unpledged positions in shares and instruments with variable income .....</b>	<b>57.521</b>
Unpledged positions in shares and instruments with variable income in mEUR .....	367

## Derivatives and unpaid derivatives - assets

22. Derivatives and unpaid derivatives are specified as follows by status:

	30.6.2010		30.12.2009	
	Carrying value	Provision	Fair value	Fair value
Derivatives .....	6.618	(2.507)	4.111	7.581
Unpaid derivatives* .....	362.598	(136.779)	225.819	231.436
<b>Derivatives and unpaid derivatives .....</b>	<b>369.216</b>	<b>(139.286)</b>	<b>229.930</b>	<b>239.017</b>
Derivatives and unpaid derivatives in mEUR .....	2.355	(888)	1.466	1.330

Estimated netting effects on derivatives on the asset side amount to ISK 115.454 million as described in note 1.

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

23. Derivatives and unpaid derivatives are specified as follows by type:

	30.6.2010		31.12.2009	
	Carrying value	Provision	Fair value	Fair value
Unpaid FX Trades, Asset Sw aps, Interest Rate Sw aps, FX Options* .....	6.618	(2.507)	4.111	231.452
Open FX Trades, Asset Sw aps & Interest Rate Sw aps .....	-	-	-	7.313
Unpaid Credit Derivatives* .....	360.192	(134.919)	225.273	(5.978)
Unpaid Equity Options* .....	(5.659)	1.552	(4.107)	5.902
Open Caps, Floors, Barriers .....	5.779	(1.201)	4.579	269
Unpaid Caps, Floors, Barriers* .....	2.286	(2.212)	74	59
<b>Derivatives and unpaid derivatives .....</b>	<b>369.216</b>	<b>(139.286)</b>	<b>229.930</b>	<b>239.017</b>
Derivatives and unpaid derivatives in mEUR .....	2.355	(888)	1.466	1.330

Estimated netting effects on derivatives on the asset side amount to ISK 115.454 million as described in note 1.

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

A derivative contract is accounted for as an asset if the total net position of all derivatives contract of the counterparty is in the Bank's favour. Negative unpaid carrying value in the analysis of assets is therefore always counteracted by positive values of other contracts by the same counterparty.

## Investments in subsidiaries

24. Investments in subsidiaries specified by entities and geographical location:

	Functional currency	Ow nership	30.6.2010			31.12.2009
			Unpledged	Pledged	Total	Total
Kaupskil ehf. (Arion Bank), Iceland .....	ISK	100,0%	88.520	-	88.520	-
FIH Erhvervsbank, Denmark .....	DKK	99,9%	-	86.235	86.235	97.047
Kaupthing Mortgage Inst. Investor Fund, Iceland .....	ISK	100,0%	-	16.216	16.216	17.303
Norvestia Oyj, Finland .....	EUR	32,7%	7.525	-	7.525	8.776
NBS Diversified Credit Fund, UK .....	EUR	99,9%	5.463	-	5.463	6.264
Kaupthing Sverige AB, Sw eden .....	SEK	100,0%	4.769	-	4.769	5.103
Kirna ehf., Iceland .....	ISK	100,0%	4.123	-	4.123	3.557
Other .....	-	-	3.263	-	3.263	3.576
<b>Investments in subsidiaries .....</b>			<b>113.663</b>	<b>102.451</b>	<b>216.114</b>	<b>141.626</b>
Investments in subsidiaries in mEUR .....			725	653	1.378	788

The equity stake in FIH Erhvervsbank is shown as fully pledged against a loan with the Central Bank of Iceland at the estimated current value of the claim. On 18 September 2010 (event occurring after the date of the above valuation) the Central Bank of Iceland as a pledgee of the Bank's shares in FIH entered into an agreement to sell the shares to a consortium of funds. This claim against Kaupthing will be fully settled with this transaction and the Central Bank of Iceland will not have a deficiency claim against Kaupthing in relation to this transaction.

On 11 January 2010 the Icelandic FSA granted Kaupskil ehf. with a permission to own 87% in Arion Bank on behalf of Kaupthing.

The Bank controls 56.0% of the votes in Norvestia Oyj despite holding only 32.7% of outstanding shares, and the company is thus considered to be a subsidiary of the Bank.

## Other assets

25. Other assets are specified as follows:

	30.6.2010	31.12.2009
	Total	Total
Accounts receivables .....	37.717	40.549
Sundry assets .....	4.264	4.003
<b>Other assets at carrying value .....</b>	<b>41.981</b>	<b>44.552</b>
Provisions .....	(39.459)	(37.012)
<b>Other assets at fair value .....</b>	<b>2.522</b>	<b>7.540</b>
Other assets in mEUR .....	16	42

## Other Information

### Claim process

26. A formal process for the creditors of the Bank to file claims against the Bank began on 30 June 2009 and ended on 30 December 2009.

The liabilities of the Bank are currently being determined through a formal process administered by the Winding-up Committee. Until the Winding-up Committee has taken decisions on all claims and disputes have been settled, the real and accurate amount of liabilities is uncertain. According to Act no. 44/2009, claims should have been filed as at 22 April 2009 in the relevant currency and converted into ISK at the exchange rate published by the Central Bank of Iceland on 22 April 2009. Hence, the liability side has been fixed in ISK as at that date. The estimated liability side fixed at 22 April 2009 was published in the Bank's half year figures as at 30 June 2009. In the event there are discrepancies between the liabilities estimate presented by the Resolution Committee there and the accepted claims finally determined by the Winding-up Committee, the determination of the latter prevails.

The total amount of claims in the claim registry as at 23 September 2010 is approx. ISK 6,442 billion. Since the expiration of the time limit for lodging claims on 30 December 2009, the total amount of claims lodged has decreased by ISK 874 billion from the total of ISK 7,316 billion at that time. The aggregate amount of claims exceeds the Bank's liabilities as recognised in its balance sheet of 30 June 2009, ISK 4,129 billion. Priority and senior claims, lodged under article 109-113 amount now to ISK 5,889 billion compared to ISK 3,679 billion as recognised in the Bank's balance sheet of 30 June 2009. The difference can in part be explained by claims lodged for deposits which the Bank has already repaid, significant amount of bond claims and some deposits claims lodged in duplicate or triplicate, and off-balance sheet items, such as claims for damages and guarantees. Furthermore, creditors generally lodge claims at maximum levels. The aforementioned claims add up to at least ISK 2,000 billion.

Breakdown of claims against the Bank under each article and by type as at 23 September 2010:

	Art. 109	Art. 110	Art. 111	Art. 112	Art. 113	Art. 114	Total
Guarantees .....	1.287	-	114	152.709	144.160	1.358	299.628
Derivatives .....	26.862	8.728	13.865	118	434.489	18.867	502.929
Miscellaneous .....	26.226	1.539	0	12	143.057	1	170.834
Deposit Agreements .....	-	-	-	216.817	89.389	4.684	310.890
Deposits .....	1.700	-	-	8.312	35.835	31	45.878
Reimbursements .....	-	-	-	1.308	315	9	1.632
Loan Agreements .....	-	-	201.193	18	354.621	5.639	561.472
Invoices .....	159	731	-	70	2.621	251	3.832
Contracts .....	-	43.569	-	-	47.747	0	91.316
Damages .....	26.537	317.948	-	1.012	211.344	60.977	617.818
Bonds .....	9.080	-	102.012	12.601	3.245.600	461.150	3.830.443
Interests .....	87	0	48	4.957	634	92	5.818
<b>Total .....</b>	<b>91.936</b>	<b>372.515</b>	<b>317.231</b>	<b>397.934</b>	<b>4.709.814</b>	<b>553.060</b>	<b>6.442.491</b>

As at 23 September 2010, priority claims lodged under article 109-112, amounted to ISK 1.180bn. The total amount of priority claims against Kaupthing Bank is thus ISK 912bn lower than presented at the Creditors' Meeting on 18 May 2010, at which time they amounted to ISK 2.092bn.

Included in the table above is ISK 103bn above and below is claim from the ICB related to a EUR 500m loan granted in October 2008 with a security in FIH shares. On 18 September 2010, the ICB as a pledgee, agreed to sell the shares in FIH. The ICB's claim against Kaupthing is fully settled with this transaction and the ICB will not have a deficiency claim against Kaupthing. Thus, by completion of the transaction, priority claims will further decrease by ISK 103bn and accepted claims will decrease by ISK 93bn.

Status of claims lodged under each article:

	Art. 109	Art. 110	Art. 111	Art. 112	Art. 113	Art. 114	Total
Total lodged .....	91.936	372.515	317.231	397.934	4.709.814	553.060	6.442.491
<b>Adjusted amount*</b> .....	<b>69.924</b>	<b>383.667</b>	<b>237.238</b>	<b>378.503</b>	<b>4.820.099</b>	<b>553.060</b>	<b>6.442.491</b>
Accepted .....	1	10.172	93.077	9	1.361.297	-	1.464.555
Rejected** .....	67.148	329.928	11.466	166.313	1.691.791	452.383	2.719.028
Decision postponed .....	2.775	43.568	132.696	212.182	1.767.010	100.677	2.258.907

Please note that the decisions made by the Winding-up Committee, summarized in the table above may not be final

\*Adjusted amount is the total amount of all claims that decision is made on under respective Article, i.e. rejected, approved or postponed. The difference between it and total amount lodged is when the Winding-up Committee accepts a claim with different priority than claimed.

\*\* Claims here under have been rejected, moved under Art. 114 and no decision taken.

27. Claims recognized by the Winding-up Committee - final decision\*

Final decisions had been taken on ISK 361 billion of claims as at 23 September 2010. The final amounts accepted or rejected under each article can be seen below .

	Total amount accepted	Accepted under each article					
		Art. 109	Art. 110	Art. 111	Art. 112	Art. 113	Art. 114
Guarantees .....	-	-	-	-	-	-	-
Derivatives .....	474	-	-	-	-	474	-
Miscellaneous .....	1.585	-	-	-	-	1.585	-
Deposit Agreements .....	136	-	-	-	-	136	-
Deposits .....	-	-	-	-	-	-	-
Reimbursements .....	0	-	-	-	0	-	-
Loan Agreements .....	93.077	-	-	93.077	-	-	-
Invoices .....	323	-	-	-	-	323	-
Contracts .....	-	-	-	-	-	-	-
Damages .....	1	1	-	-	-	-	-
Bonds .....	68	-	-	-	-	68	-
Interests .....	795	-	-	-	-	795	-
<b>Total accepted .....</b>	<b>96.457</b>	<b>1</b>	<b>-</b>	<b>93.077</b>	<b>0</b>	<b>3.380</b>	<b>-</b>

	Total amount rejected	Rejected under each article					
		Art. 109	Art. 110	Art. 111	Art. 112	Art. 113	Art. 114
Guarantees .....	37.271	-	-	0	35.999	-	1.272
Derivatives .....	-	-	-	-	-	-	-
Miscellaneous .....	32	5	4	0	12	12	-
Deposit Agreements .....	2	-	-	-	-	2	0
Deposits .....	1.723	-	-	-	548	1.172	3
Reimbursements .....	231	-	-	-	156	69	5
Loan Agreements .....	8.233	-	-	8.233	-	-	-
Invoices .....	339	-	4	-	8	112	215
Contracts .....	1	-	1	-	-	-	-
Damages .....	109	16	61	-	5	24	3
Bonds .....	213.911	4.978	-	253	179	100.079	108.422
Interests .....	2.452	65	-	46	447	1.832	63
<b>Total accepted .....</b>	<b>264.303</b>	<b>5.064</b>	<b>70</b>	<b>8.532</b>	<b>37.353</b>	<b>103.302</b>	<b>109.983</b>

Among those above is an agreed claim of EUR 550 million from the Central Bank of Iceland regarding the loan for FIH which was accepted under article 111 as a secured claim. On 18 September 2010 the Central Bank of Iceland as a pledgee of the Bank's shares in FIH entered into an agreement to sell the shares to a consortium of funds. This claim against Kaupthing will be fully settled with this transaction and the Central Bank of Iceland will not have a deficiency claim against Kaupthing in relation to this transaction. Thus, by completion of the transaction, finally accepted claims will further decrease by Iby ISK 93bn.

\* The Winding-up Committee's decision is deemed final if the creditor concerned accepts the Committee's decision on its claim and he or other creditors do not object to the decision, or if objections to the decision have been received too late.

28. Liabilities related to administration of the estate and known priority liabilities

The table above is put forth for illustrative purposes only and represents priority liabilities that are known to the Resolution Committee. Until all claims have been recognized and disputes settled by the Winding-up Committee, the real and accurate amount of liabilities, including but not limited to priority claims, is uncertain. It should also be noted that this table is put forth by the Resolution Committee and does not reflect the decisions of the Winding-up Committee on individual claims.

	30.6.2010	31.12.2009
Compensation Instrument with Arion Bank hf.* .....	29.917	44.927
Liability to Arion Bank hf. ....	-	-
Accounts payable - costs of managing the Bank while in moratorium process .....	775	612
Deposits** .....	10	6
Other .....	258	-
<b>Liabilities related to administration of the estate and known priority liabilities .....</b>	<b>30.960</b>	<b>45.545</b>

\* In October 2008 all of the Bank's deposit liabilities in Iceland were transferred to Arion Bank. (previously New Kaupthing Bank hf.), and also the bulk of the Bank's assets that relate to its Icelandic operations, such as loans and other claims. This transfer was done according to the FME's Transfer Decision dated 21 October 2008. Negotiations on the valuation of the assets and liabilities were concluded on 3 September 2009 when the Government and the Bank agreed not to conclude the valuation of the assets at present but in 3 years time. This solution allows the Bank to capture further upside in the valuation of the assets.

The Bank is to provide cover for any negative initial value ("valuation gap") from the transfer of assets and liabilities from the Bank to Arion Bank; the valuation gap was assessed at ISK 38.358 million as at 22 October 2008. The value of the assets is guaranteed for the time period of the agreement which ends 30 June 2012. The valuation gap amounted to ISK 29.917 million as at 30 June 2010. The valuation gap is denominated 50% in EUR and 50% in ISK. The current decrease in the valuation gap is due to revaluation of the underlying assets, currency movements and accrued interests. The size of the valuation gap will be reassessed at least annually. Therefore, the size of the valuation gap can decrease but has been capped at the initial value save for currency movements and accrued interests.

\*\* The deposits in this category are defined as priority claims acc. to Act no. 125/2008.

## 29. Set-off

The valuation of assets and liabilities in this report does not take fully into account the impact of set-off.

The real and accurate amount of set-off claims finally accepted, remains uncertain until all claims have been recognized and disputes settled by the Winding-up Committee. The Winding-up Committee received set-off claims from close to 100 counterparties amounting to approximately ISK 650 billion. It should be noted that set-off claims are lodged in different ways and many of them are lodged at a maximum level. Not all claims regarding set-off may fulfill the conditions that a declaration for set-off must fulfill according to Icelandic law and in some cases creditors only reserve the rights to a possible set-off. All amounts regarding set-off must be reviewed bearing that in mind.

The Resolution Committee has independently reviewed the list of set-off claims provided by the Winding-up Committee and currently estimates likely set-off effects on an approximate, rough and preliminary basis of ISK 100 - 150 billion in total on the face value of the respective liabilities. As the Resolution Committee has noted before, the exact set-off effects on the assets and liabilities side may differ and the committee estimates that the effects on the asset side will be substantially lower since some of the assets that are subject to set-off have already been impaired or provisioned for. The committee's estimation takes into account the fact that substantial amount of the set-off claims filed are already accounted for in note 1. It should also be stressed that this estimation is put forth by the Resolution Committee and does not reflect the decisions of the Winding-up Committee on individual claims.

Set-off impacts can make a material difference to overall creditor recoveries. Further information will be provided on this matter as it becomes available.

## 30. Foreign exchange rates

The foreign exchange rates used in the preparation of the balance sheet as at 30 June 2010 is based on Reuters foreign exchange rates as at 16:30 on that date. The foreign exchange rates used in the preparation of the income statement is the exchange rates at the end of the transaction day. The table below displays the foreign exchange rates used for the balance sheet as at 30 June 2010 and the foreign exchange rates for past comparison period.

	30.6.2010	31.12.2009
AUD .....	108,10	112,53
CAD .....	120,37	119,74
CHF .....	118,49	121,18
DKK .....	21,05	24,16
EUR .....	156,79	179,78
GBP .....	190,92	202,65
JPY .....	1,44	1,35
NOK .....	19,69	21,63
SEK .....	16,46	17,54
USD .....	127,66	125,43

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This report does not include an estimate of the likely level of recoveries for creditors. Very material uncertainties continue to exist regarding the timing and realisable value of assets and the eventual level of creditors' claims. The Resolution Committee wish to caution creditors against using the data in this report to estimate likely recovery as any such estimates are likely to be materially misleading. The actual realisable value of the Bank's assets and liabilities may differ materially from the values set forth herein. Factors which may lead to material differences include:

- (a) Resolution of issues regarding the quantum of claims
- (b) The realisation method(s) used over time
- (c) The impact of set off and netting including in connection with derivative contracts
- (d) Movements in currency exchange rates and interest rates
- (e) Prevailing market conditions

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