Statement of Assets
2011

Kaupthing hf.
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Iceland

Reg. no. 560882-0419

Contents

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This report has been prepared in accordance with the rules no. 834/2003 on the financial statements of credit institutions that concern the valuation of assets and liabilities, taking into account the winding-up status of Kaupthing. This report does not contain all of the required information for a complete annual financial statement according to rules no. 834/2003.

In preparing this report, Kaupthing has placed emphasis on ascertaining the value and correct accounting of the assets of Kaupthing. The liabilities of the Estate are however currently being determined through a formal claims filing process which is administered by the Winding-up Committee of Kaupthing. The scope of Kaupthing's liabilities remains uncertain until the legal process of recognizing and excluding claims has been further progressed by the Winding-up Committee.

Kaupthing continues work on further confirming and ascertaining earlier accounting of Kaupthing's assets and liabilities. In some cases however, the data and information used in this work may be incomplete or insufficient. In such cases Kaupthing has used best efforts and cautious valuation methods in determining asset value and the scope of liabilities. Due to the aforesaid, some discrepancies are inevitable when comparing earlier and more recent reports published by Kaupthing. Kaupthing endeavors to use the best information available at any given time for the preparation of reports and reserves the right to make any changes or amendments to the reports from time to time to reflect any necessary changes.

The report as they appear may be a redacted version and should be viewed as such.

Statement of Assets
as at 31 December 2011

	Notes	31.12.2011	31.12.2010
Assets			
Cash in hand	6	332.911	231.128
Loans to and claims against credit institutions	7-8	35.210	164.974
Loans to customers	9-14	232.881	279.249
Bonds and debt instruments	15-16	17.218	7.456
Shares and instruments with variable income	17-19	39.897	55.470
Derivatives and unpaid derivatives	20-21	81.216	95.166
Investments in subsidiaries	22	116.347	128.155
Other assets	23	19.487	3.596
Total Assets		875.167	965.194
Total Assets in mEUR		5.511	6.275
Other information	24-26		

Statement of Assets
net of pledged assets as at 31 December 2011

The asset side of the balance sheet at carrying value and fair value:

		31.12.2011			31.12.2010
	Notes	Carrying value	Provisions	Fair value	Fair value
Cash in hand	6	332.911	-	332.911	231.128
Loans to and claims against credit institutions*	7-8	66.629	(31.419)	35.210	40.817
Loans to customers**	9-14	1.234.963	(1.002.082)	232.881	279.249
Bonds and debt instruments	15-16	17.218	-	17.218	7.456
Shares and instruments with variable income	17-19	39.897	-	39.897	55.470
Derivatives and unpaid derivatives	20-21	157.261	(76.045)	81.216	95.166
Investments in subsidiaries	22	116.347	-	116.347	111.939
Other assets	23	126.338	(106.851)	19.487	3.596
Less: Claims for administration of the Estate.	24	(862)		(862)	(26.038)
Total assets		2.090.702	(1.216.397)	874.305	798.783
Total assets in mEUR		13.166	(7.660)	5.506	5.193

*In previous Statements of Assets guarantee accounts have been shown as pledged in this asset class. However, as these accounts are not pledged against a certain liability they are classified as conditional guarantees.

**Late in 2010, Kaupthing's financing of the former Middlesex Hospital site now Fitzroy Place (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 Kaupthing provided in 2006. Subsequently, the carrying value as at 31 December 2011 has been adjusted downwards by the difference, i.e. ISK 14.869 million, above. For the same reasons, the carrying value as at 31 December 2010 was adjusted downwards by ISK 13.760 million.

Claims for administration of the Estate and claims relating to agreements entered into after the commencement of the Resolution Committee represent priority liabilities which are listed in note 24.

As stated in the Summary of claims, the Winding-up Committee completed its decision on all claims by the Creditors' Meeting on 3 December 2010. Until all disputes have been settled, the real and accurate amount of liabilities is uncertain. Priority claims accepted by the Winding-up Committee that have been finally accepted or are in dispute are not included in the table above. These claims are further listed in the Summary of claims. General claims accepted by the Winding-up Committee, finally accepted or are in dispute are not presented in the table above. Until all claims have been recognized and disputes settled by the Winding-up Committee, the real and accurate amount of liabilities is uncertain.

The valuation herein of Kaupthing's assets is based on the methodology described in note 2 and 3 and is a historical valuation only. No attempts were made to assess the possible future value of assets or to estimate likely recovery of creditors' claims.

The table above does not fully take into account the impact of set-off. The Winding-up Committee currently estimates on a preliminary basis additional set-off effects on assets at fair value as at 31.12.2011 will likely be in the range of ISK 40-65 billion, as further described in note 26. The exact set-off effects on the assets and liabilities willl differ.

It should also be noted that there were significant movements in foreign exchange rates in 2011. Table of foreign currency conversion rates can be found in note 5.

Notes

General information

Introduction

1. Kaupthing hf. ("Kaupthing", the "Estate") is currently in winding-up proceedings headed by a winding-up committee (the "Winding-up Committee") and previously also headed by a resolution committee (the "Resolution Committee").

   The Financial Supervisory Authority of Iceland (the "FME") was pursuant to provisions set out in the Act No. 125/2008, on Authority for Treasury Disbursements due to Unusual Financial Market Circumstances etc., given the power to appoint a resolution committee for Kaupthing and other financial institutions. On 9 October 2008, Kaupthing's board of directors resigned on its own initiative due to Kaupthing's financial difficulties. In accordance with the aforementioned legislation, the FME appointed the Resolution Committee for Kaupthing which immediately assumed control of Kaupthing and wielded all of the authority of Kaupthing´s board of directors.

   On 25 May 2009, the Reykjavík District Court approved a request from the Resolution Committee and appointed a Winding-up Committee for Kaupthing to handle the claims' process, as provided for in Act No. 44/2009, amending the Act on Financial Undertakings, No. 161/2002.

   Financial reorganisation and insolvency of credit institutions is regulated by the provisions of the Act on Financial Undertakings No, 161/2002 (the "AFU") which contains a specific set of insolvency rules supplemented by the general provisions of the Bankruptcy Act No 21/1991 (the "BA") applicable to all insolvency cases in Iceland. These rules are set out in Chapter XII of the AFU and consist of both provisions on reorganisation measures and winding-up proceedings.

   In accordance with provisions of the Act. No. 78/2011 which amended the provisions of the AFU the Resolution Committee was dissolved from 1st January 2012. The Winding-up Committee has taken over respective tasks that were previously handled by the Resolution Committee.

   Kaupthing entered into moratorium proceedings on 24 November 2008, pursuant to chapters III-IV of the BA, cf. Act 129/2008, which amended the provisions of the AFU. Pursuant to amendments to the rules applicable to the moratorium, passed with the Act No. 44/2009, the moratorium was based on the main principles and characteristics of winding-up proceedings. Post several extensions in 2009 and 2010, the moratorium period ended on 22 November 2010 and Kaupthing entered into winding-up proceedings pursuant to a decision of the District Court of Reykjavík, rendered on that same day.

   The winding-up proceedings, like the moratorium before, provides Kaupthing with appropriate protection from legal actions, such as freezing of assets. A petition for Kaupthing to enter insolvent liquidation cannot be filed nor can its assets become subject to an attachment while the winding-up proceedings remain in effect. Article 103 of the AFU stipulates that during winding-up proceedings the Winding-up Committee shall manage the interests of the Estate according to the same rules as a trustee would be subject to according to the Bankruptcy Act, although with some exceptions. The exceptions mainly concern the objective for the Winding-up Committee to maximise the value of the Estate's assets which includes waiting for the Estate's outstanding claims to mature, instead of realising them immediately. To this end, the Winding-up Committee is allowed to disregard a decision of a creditors' meeting if the Winding-up Committee deems such a decision contrary to its objective of maximizing asset value. This means that the Winding-up Committee has ample time to safeguard the interests of the Estate and its creditors.

   The Winding-up Committee now handles the Estate's affairs, including directing its daily operations, ensuring proper handling of assets, (concluding contracts and other legal instruments on its behalf,) and safeguarding its interests to the utmost extent possible.
   During the winding-up proceedings, the Winding-up Committee shall continue to decide the recognition of claims and aim to resolve disputes with creditors.

   The Winding-up Committee's principal objective is to ensure proper handling of and maximise the value of the Estate's assets to the benefit of its creditors.

Estimated valuation of Kaupthing's assets

2. The financial information in this report as at 31 December 2011 and 31 December 2010 was prepared by Kaupthing with the assistance of external advisors where appropriate. The figures herein were not audited by an independent auditor and the report does not include all the information required for full financial statements according to the Rules. The financial information is presented in Icelandic krona (ISK), rounded to the nearest million.

   Kaupthing emphasizes that the valuation herein is a historic valuation only, and one which only takes into account the Kaupthing's current strategy, to safeguard and increase the value of Kaupthing's assets achieved to 31 December 2011 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. Further information on valuation methodology for each category on the balance sheet is provided in note 3.

   A formal process for creditors to file claims against Kaupthing began on 30 June 2009 and ended on 30 December 2009. The liabilities of Kaupthing are currently being determined through a formal process administered by the Winding-up Committee. The Winding-up Committee completed its decision on all claims by the Creditors' Meeting on 3 December 2010. Until all disputes have been settled, the real and accurate amount of liabilities is uncertain. According to Act No. 44/2009, claims should generally have been filed as at 22 April 2009 in the relevant currency and converted into ISK at the selling 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 for all relevant claims.

   Kaupthing continues work on further confirming and ascertaining earlier accounting of the assets. In some cases however, the data and information used in this work may be incomplete or insufficient. In such cases Kaupthing has used best efforts and cautious valuation methods in determining asset values. Due to the aforesaid, some discrepancies are inevitable when comparing earlier and more recent financial information published by Kaupthing. Kaupthing 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 in this report does not fully take into account the impact of set-off. The exact impact of Set-off could make a material difference to overall creditor recoveries. Information on set-off is provided in note 26. Further information will be provided on this matter as it becomes available.

3. Valuation methodology

The valuation methodology for each asset class is abbreviated below.

Cash in hand

The balance of all cash accounts as at 31 December 2011 is without any discount and including accrued unpaid interest up to 31 December 2011.

Loans to and claims against credit institutions

The balance of bank accounts as at 31 December 2011 is valued without any discount. Other 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 Set-off, which is further discussed in note 26, may significantly affect this asset class.

Loans to customers

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 August 2010 edition of the International Private Equity and Venture Capital Valuation Guidelines (can be found at www.evca.eu), the official website of European Private Equity & Venture Capital Association ("EVCA"). 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 Kaupthing 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):

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;
2) Recent offers received for loans or known recent trades of comparable loans;
3) The value of the underlying collateral, in particular for asset backed loans, using 3rd party valuations of the collateral where applicable; and
4) 3rd party valuations of loans.

5) When nothing of the above was available, Kaupthing applied one of the following methods:
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;
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 Kaupthings'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.

Bonds and debt instruments

Listed and liquid: The assets in this asset category are valued at estimated fair value based on the quoted closing price on 31 December 2011.

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 August 2010 edition of the International Private Equity and Venture Capital Valuation Guidelines and are similar to the methodology applied to Loans to customers as described above. Illiquidity discount was applied to less liquid positions.

When determining the value of structured bonds, Kaupthing is using the services of external advisors as appropriate who specialize in structured bonds valuations and risk management services.

Set-off, which is further discussed in note 26, may significantly affect this asset class.

Shares and instruments with variable income

Listed and liquid: The assets in this asset category are valued at estimated fair value based on the quoted closing price on 31 December 2011.

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 August 2010 edition of the International Private Equity and Venture Capital Valuation Guidelines and are similar to the methodology applied to Loans to customers as described above. Illiquidity discount was applied to less liquid positions.

Derivatives and unpaid derivatives

This category includes mainly terminated trades but some trades are still open. Where relevant, terminated trades are converted to the determined termination currency as at the termination date, e.g. for ISDA counterparties for which the termination currency and date are contractual and for cases where a settlement currency has been otherwise agreed upon. Other contracts are booked in accordance with the original contract currencies.

Valuation methodology, continued

The calculated amount of derivatives before provisions is based on Kaupthing's own valuations, which may differ significantly from the final settlement amounts. When determining the value of more complex derivatives and structured products, Kaupthing is using the services of external advisors as appropriate who specialize in derivative valuation services. Derivative assets, liabilities and collateral with the same legal entity are netted and hence, each counterparty is accounted for either on the asset side or on the liability side. In cases where multiple entities/branches of a counterparty are being settled under a single legal agreement the respective positions are netted. For example if Kaupthing's exposure to a counterparty consists of positions held under a single ISDA with e.g. two branches where one is an asset for Kaupthing and one a liability, these positions are netted into a single exposure equal to the resultant asset or liability.

Most of the derivatives are not quoted in active markets but in those cases 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. Kaupthing uses widely recognised valuation models for the common and simpler derivatives like options and interest rate and currency swaps. For more complex instruments, Kaupthing 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.

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 Kaupthing to reconcile amounts. Some provisions are made to the Kaupthing's valuation of ISDA derivatives to account for potential disputes in valuation. For non-ISDA counterparties, a significant valuation adjustment is made on derivative assets to account for credit, legal and settlement risk.

Foreign exposures in this category on the asset side are converted to ISK as at the date of this account, 31 December 2011, while foreign exposures in this category on the liability side are converted into ISK as at 22 April 2009. No interests are calculated on this category neither on the asset side nor on the liability side.

Set-off, which is further discussed in note 26, may significantly affect this asset class.

Investments in subsidiaries

Investments in subsidiaries are accounted for by an equity method where value is derived from the subsidiaries net assets as at 31 December 2011 or the most recent financial information available at the date of this report.

Other assets

Other assets are valued at estimated fair value. Estimated credit risk of the counterparty is taken into account in provisions for losses.

Set-off, which is further discussed in note 26, may significantly affect this asset class.

Claims for administration of the Estate.

Liabilities determined as priority claims relating to the costs of managing the Estate after the commencement of the Resolution Committee in October 2008. Those liabilities are converted into ISK as at the date of this report, i.e. 31 December 2011.

4. Coordinated sectoral classification

This report features coordinated sectoral classification between asset classes which is based on sectoral classification by European Private Equity and Venture Capital Association ("EVCA") which is mapped to an international industry code system (NACE code Rev. 2 of 2007, Eurostat). An overview of EVCA sectoral classification and its mapping to the NACE standardized sectoral classification of Eurostat (NACE Rev. 2, 2007) can be found at www.evca.eu, the official website of EVCA. In addition, in order to provide more descriptive information on certain aspects of the asset base, the following sector clusters were added to the classification presented by EVCA; Holding companies, Individuals, Governments and Government Agencies.

5. Foreign exchange rates

The foreign exchange rates used in the Statement of Assets as at 31 December 2011 are based on Reuters foreign exchange rates as at 16:30 on that date. The table below shows the foreign exchange rates used for the balance sheet as at 31 December 2011 and the foreign exchange rates for past comparison period.

	Balance sheet	
	31.12.2011	31.12.2010
AUD	125,40	117,39
CAD	120,25	115,32
CHF	130,79	122,79
DKK	21,36	20,64
EUR	158,80	153,82
GBP	190,30	179,11
JPY	1,59	1,41
NOK	20,50	19,72
SEK	17,80	17,07
USD	122,24	114,71

Kaupthing hf. Statement of Assets 31 December 2011 8 Amounts are in ISK millions

Notes to the Statement of Assets

Cash in hand

6. Cash in hand specified by currency and financial institutions:

	31.12.2011	31.12.2010
	Total	Total
EUR	101.891	67.432
SEK	80.285	46.983
GBP	61.572	48.560
USD	39.834	25.391
NOK	30.543	28.196
ISK	12.333	9.212
Other	6.453	5.354
Cash in hand	332.911	231.128
Cash in hand in mEUR	2.096	1.503

Loans to and claims against credit institutions

Collateral accounts, i.e. collateral posted by Kaupthing to counterparties in secured funding agreements, primarily repurchase agreements, have been shown in previous financial statements as pledged in this asset class, under the sub class bank accounts. In this statement, the collateral accounts have been moved from this asset class and netted against the underlying secured funding agreements they are connected with in contractual agreements made between counterparties and Kaupthing. The same has been done for past periods to facilitate like-for-like comparison.

*In previous Statements of Assets guarantee accounts have been shown as pledged in this asset class. However, as these accounts are not pledged against a certain liability they are classified as conditional guarantees.

** Subordinated loan to KMIIF which formed an integrated part of the covered bond structure was classified as pledged asset and amounted to ISK 124 billion as at 31 December 2010. The terms and conditions of the subordinated loan reflected the terms and conditions of the covered bonds. The only purpose of the subordinated loan was to ensure pass-through mechanism within the covered bonds structure. As a part of restructuring the covered bond programme all the assets including the pledged subordinated loan to KMIIF and the obligations which are related to the covered bonds and KMIIF were transferred to Arion bank. There are therefore no pledged assets remaining in this asset class.

Set-off, which is further discussed in note 26, may significantly affect this asset class.

7. Loans to and claims against credit institutions specified by types of loans and claims:

	31.12.2011			31.12.2010
	Carrying value	Provisions	Fair value	Fair value
Restricted cash	9.982	-	9.982	-
Frozen/emptied bank accounts	15.564	-	15.564	17.355
Guarantee accounts*	5.894	-	5.894	7.838
Subordinated loans to subsidiaries**	31.341	(31.341)	-	139.550
Other loans	3.848	(78)	3.770	231
Loans to and claims against credit institutions	66.629	(31.419)	35.210	164.974
Loans to and claims against credit institutions in mEUR	420	(198)	222	1.073

8. Loans to and claims against credit institutions specified by geographical location of the counterparty:

	31.12.2011			31.12.2010
	Carrying value	Provisions	Fair value	Fair value
Domestic	12.921	-	12.921	124.158
Foreign*	53.708	(31.419)	22.289	40.816
Loans to and claims against credit institutions	66.629	(31.419)	35.210	164.974
Loans to and claims against credit institutions in mEUR	420	(198)	222	1.073

Loans to customers

*Late in 2010, Kaupthing's financing of the former Middlesex Hospital site now Fitzroy Place (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 Kaupthing provided in 2006. Subsequently, the carrying value as at 31 December 2011 has been adjusted downwards by the difference, i.e. ISK 14.869 million, below. For the same reasons, the carrying value as at 31 December 2010 was adjusted downwards by ISK 13.760 million.

9. Loans to customers specified by portfolios:

	31.12.2011		31.12.2010	
	Carrying value	Fair value	Carrying value	Fair value
Europe*	186.042	123.128	196.506	141.460
Nordic	113.823	64.218	157.169	98.688
NOA**	935.098	45.535	795.236	39.101
Loans to customers	1.234.963	232.881	1.148.911	279.249
Loans to customers in mEUR	7.777	1.467	7.469	1.815

** Non-operating assets

10. Loans to customers specified by sectors:

	31.12.2011		31.12.2010	
	Carrying value	Fair value	Carrying value	Fair value
Real Estate*	110.475	60.844	104.112	61.390
Holding Company	797.805	46.950	678.626	43.425
Business and Industrial Products	66.790	45.702	69.211	53.015
Consumer Goods and Retail	53.510	37.764	71.104	52.509
Consumer Services: Other	23.307	20.240	32.772	24.776
Individuals	101.045	3.682	94.721	11.385
Other	82.031	17.699	98.365	32.749
Loans to customers	1.234.963	232.881	1.148.911	279.249
Loans to customers in mEUR	7.777	1.467	7.469	1.815

11. Loans to customers specified by geographical location:

	31.12.2011		31.12.2010	
	Carrying value	Fair value	Carrying value	Fair value
UK*/***	677.161	120.335	629.692	131.421
Scandinavia**	315.851	82.817	291.756	118.566
Other	241.951	29.729	227.463	29.262
Loans to customers	1.234.963	232.881	1.148.911	279.249
Loans to customers in mEUR	7.777	1.467	7.469	1.815

** Scandinavia includes all the Nordic countries

*** 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.

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

	31.12.2011	31.12.2010
Real Estate/UK***	13%	10%
Holding Company/UK***	10%	8%
Consumer Goods and Retail/UK***/****	7%	0%
Business and Industrial Products/Scandinavia**	6%	6%
Real Estate/Other	6%	5%
Other/Other	5%	3%
Consumer Goods and Retail/UK***/****	5%	9%
Business and Industrial Products/Scandinavia**	5%	5%
Real Estate/Scandinavia**	4%	4%
Business and Industrial Products/Scandinavia**	4%	3%
Ten largest loans of total Loans to customers	65%	53%

** Scandinavia includes all the Nordic countries

*** UK includes UK overseas territories and Crown dependencies

**** A new borrower formed by a demerger from another borrower who also appears under the same sector and country in the table above

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

13. Loans to customers - portfolios specified by performance:

	31.12.2011							
	Europe		Nordic		NOA		Total	
	Carrying value*/**	Fair value	Carrying value	Fair value	Carrying value	Fair value	Carrying value*/**	Fair value
Performing loans	75,0%	96,3%	44,1%	50,9%	0,0%	0,0%	15,1%	64,9%
Loans on view list	0,0%	0,0%	15,6%	16,2%	0,0%	0,0%	1,4%	4,5%
Loans on watch list	25,0%	3,7%	40,3%	32,9%	100,0%	100,0%	83,5%	30,6%
	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%

** Europe portfolio excludes debt which is still held against Jane Norman (in administration) after its pre-pack administration

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 - portfolios specified by maturity profiles:

	31.12.2011			
	Carrying value			
	Europe**	Nordic	NOA	Total
In default	33.540	22.149	910.999	966.688
2012	5.701	27.331	-	33.032
2013	51.324	12.407	24.099	87.830
2014	15.857	39.655	-	55.512
2015	44.896	2.901	-	47.797
2016	4.990	4.840	-	9.830
2017+	48	4.540	-	4.588
Loans to customers	156.356	113.823	935.098	1.205.277
Loans to customers in mEUR	985	717	5.889	7.590

** Aviva and Kaupthing entered into a 50/50 JV in December 2010, the JV will get title to the property once the call option will be exercised following a new planning consent from Westminster (likely to be in Q2 2012). The selling price for the property will be satisfied by a Promissory Note (PN) issued by the JV and which will be capitalized by Kaupthing as equity in the JV. For that reason the financing of the Fitzroy Place site is excluded from the maturity profile.

As customary in traditional loan portfolios, some loan agreements have extension clauses. The table above is based on contractual maturity specified in the underlying loan agreements unless an acceleration event has occured. Due to restructurings and refinancing the maturity profile may change over time.

Bonds and debt instruments

Pledged bonds and debt instruments, i.e. collateral posted by Kaupthing before the collapse to counterparties in secured funding agreements, primarily repurchase agreements, have been shown in previous financial statements as pledged in this asset class. In this statement, the pledged bonds and debt instruments have been moved from this asset class and netted against the underlying secured funding agreements they are connected with in contractual agreements made between counterparties and Kaupthing. The same has been done for past periods to facilitate like-for-like comparison.

Set-off, which is further discussed in note 26, may significantly affect this asset class.

15. Bond and debt instruments are specified as follows:

	31.12.2011	31.12.2010
Listed	7.024	6.480
Unlisted	10.194	976
Bonds and debt instruments	17.218	7.456
Bonds and debt instruments in mEUR	108	48

16. Bonds and debt instruments specified by issuer:

	31.12.2011	31.12.2010
Consumer Goods and Retail	6.012	-
Government Agencies	5.376	4.851
Holding Companies	1.928	451
Governments	1.648	1.780
Energy and Environment	1.154	-
Financial Services	1.100	374
Bonds and debt instruments	17.218	7.456
Bonds and debt instruments in mEUR	108	48

Notes

Shares and instruments with variable income

Pledged shares and instruments with variable income, i.e. collateral posted by Kaupthing before the collapse to counterparties in secured funding agreements, primarily repurchase agreements, have been shown in previous financial statements as pledged in this asset class. In this statement, the pledged shares and instruments with variable income have been moved from this asset class and netted against the underlying secured funding agreements they are connected with in contractual agreements made between counterparties and Kaupthing. The same has been done for past periods to facilitate like-for-like comparison.

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

	31.12.2011	31.12.2010
Listed	5.228	6.123
Unlisted	34.669	49.347
Shares and instruments with variable income	39.897	55.470
Shares and instruments with variable income in mEUR	251	361

18. Shares and instruments with variable income specified by sectors:

	31.12.2011	31.12.2010
Consumer Goods and Retail	19.718	37.510
Financial Services	6.720	7.354
Real Estate	5.752	2.402
Consumer Services: Other	4.098	3.332
Energy and Environment	2.061	3.487
Life Sciences	1.547	1.210
Other	1	175
Shares and instruments with variable income	39.897	55.470
Shares and instruments with variable income in mEUR	251	361

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

	31.12.2011	31.12.2010
Consumer Goods and Retail/Other	6.708	11.758
Financial Services/Other	6.225	6.905
Consumer Goods and Retail/UK*/**	6.075	-
Consumer Goods and Retail/UK*/**	4.851	-
Consumer Services: Other/UK*	4.091	3.313
Real Estate/UK*	2.664	-
Energy and Environment/Other	2.016	3.276
Consumer Goods and Retail/UK*	1.941	-
Real Estate/USA	1.247	551
Real Estate/UK*	1.235	891
Ten largest positions in Shares and instruments with variable income	37.053	26.694
Shares and instruments with variable income in mEUR	233	174

* UK includes UK overseas territories and Crown dependencies

** In previous Statement of Assets these two positions were considered as one position which was as at 31.12.2010 valued at ISK 18,807 million.

Derivatives and unpaid derivatives - assets

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 Kaupthing's favour.

Collateral comprises cash collateral associated with derivative assets posted by ISDA counterparties with Kaupthing. This collateral was part of Kaupthing'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 1.748 million held in excess by ISDA counterparties. In addition, ISK 267 million has been posted as collateral by non-ISDA counterparties. This non-ISDA collateral is a part of off-balance sheet items which are currently being held in the name of the counterparty but have been pledged to Kaupthing.

Set-off, which is further discussed in note 26, may significantly affect this asset class.

20. Derivatives and unpaid derivatives specified by status:

	31.12.2011			31.12.2010
	Carrying value	Provisions	Fair value	Fair value
Derivatives	1.135	(227)	908	1.292
Unpaid derivatives*	156.126	(75.818)	80.308	93.874
Derivatives and unpaid derivatives	157.261	(76.045)	81.216	95.166
Derivatives and unpaid derivatives in mEUR	990	(479)	511	619

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

Notes

21. Derivatives and unpaid derivatives specified by ISDA and non-ISDA counterparties:

	31.12.2011			31.12.2010
	Carrying value	Provisions	Fair value	Fair value
ISDA counterparties	46.374	(4.733)	41.641	50.060
Non-ISDA counterparties	110.887	(71.312)	39.575	45.106
Derivatives and unpaid derivatives	157.261	(76.045)	81.216	95.166
Derivatives and unpaid derivatives in mEUR	990	(479)	511	619

Investments in subsidiaries

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

	Functional currency	Owner-ship	31.12.2011	31.12.2010
Kaupskil ehf. (Arion Bank), Iceland*	ISK	100,0%	96.175	92.191
Kirna ehf., Iceland	ISK	100,0%	7.978	4.122
Norvestia Oyj, Finland**	EUR	32,7%	7.087	7.816
Kaupthing Sverige AB, Sweden	SEK	100,0%	1.098	4.792
Kaupthing Holding Isle of Man Ltd, UK***	GBP	100,0%	2.953	2.474
Kaupthing Mortgages Inst. Investor Fund, Iceland****	ISK	0,0%	-	16.216
Other		100,0%	1.056	544
Investments in subsidiaries			116.347	128.155
Investments in subsidiaries in mEUR			733	833

* Kaupskil ehf. owns 87% in Arion Bank on behalf of Kaupthing.

** Kaupthing controls 56.0% of the votes in Norvestia Oyj despite holding only 32.74% of outstanding shares, and the company is thus considered to be a subsidiary of Kaupthing.

*** UK includes UK overseas territories and Crown dependencies

**** KMIIF was established in 2006 when KMIIF acquired a large part of Kaupthing's ISK retail mortgage portfolio financed via subordinated loan and an equity contribution by Kaupthing. In 2006-2008, Kaupthing issued covered bonds which were guaranteed by KMIIF. The covered bonds are direct unsecured and unconditional obligations of Kaupthing. Purpose of the covered bonds was to fund Kaupthing's mortgage portfolio. Kaupthing has restructured the covered bond programme by transferring all the assets including KMIIF share units and the obligations which are related to KMIIF and the covered bonds to Arion Bank. Arion Bank will assume Kaupthing's liabilities under the programme, replace Kaupthing as an issuer of the covered bonds and acquire KMIIF from Kaupthing. The restructuring entails that all claims (outstanding claims amounting to ISK 278 billion thereof ISK 68 billion of accepted claims) against Kaupthing in relation to the programme were withdrawn. As at 31 December 2010, KMIIF net asset value of ISK 16.216 million was shown as pledged. As KMIIF has been transferred to Arion Bank there are no longer any pledged assets remaining in this asset class.

Other assets

Set-off, which is further discussed in note 26, may significantly affect this asset class.

23. Other assets specified by type:

	31.12.2011			31.12.2010
	Carrying value	Provisions	Fair value	Fair value
Accounts receivables	40.752	(36.401)	4.351	1.776
Claims on bankrupt entities	78.349	(66.462)	11.887	410
Sundry assets	7.237	(3.988)	3.249	1.410
Other assets	126.338	(106.851)	19.487	3.596
Other assets in mEUR	796	(673)	123	23

Other information

24. Claims for administration of the Estate:

The breakdown below is put forth for illustrative purposes only and represents claims for administration of the Estate and claims relating to agreements entered into after the commencement of the Resolution Committee.

	31.12.2011	31.12.2010
Compensation instrument with Arion Bank hf.*	-	24.188
Accounts payable - costs related to managing the Estate while in winding-up proceedings	713	958
Other	149	892
Claims for administration of the Estate	862	26.038
Claims for administration of the Estate in mEUR	5	169

* In October 2008, all of Kaupthing's deposit liabilities in Iceland and also the bulk of Kaupthing's assets that relate to its Icelandic operations were transferred to Arion Bank hf. (previously New Kaupthing Bank hf.). 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 Kaupthing agreed not to conclude the valuation of the assets at present but in 3 years time. This solution allowed Kaupthing to capture further upside in the valuation of the assets.

The Estate was to provide cover for any negative initial value ("valuation gap") from the transfer of assets and liabilities from Kaupthing to Arion Bank; the valuation gap was assessed at ISK 38.358 million as at 22 October 2008 and had decreased to ISK 24.188 million as at 31 December 2010.

In H1 2011, settlement and release of claims agreement was signed between Kaupthing and Arion Bank to finalize the settlement of the Compensation instrument and various other claims lodged by Arion Bank against Kaupthing. In the settlement, the valuation gap is reassessed and it is agreed to terminate the Compensation instrument. As a result of the settlement, neither party shall have any payment obligations towards the other under the Compensation instrument.

25. The asset side of the balance sheet at fair value specified by currency:

	31.12.2011								
	EUR	GBP	NOK	SEK	USD	ISK	DKK	Other	Fair Value
Cash in hand	101.891	61.572	30.543	80.285	39.834	12.333	4.179	2.274	332.911
Loans to and claims against credit institutions	9.917	48	3.160	6.730	441	2.938	5.611	6.365	35.210
Loans to customers	34.789	127.468	4.990	25.204	33.448	292	1.757	4.933	232.881
Bonds and debt instruments	1.928	6.012	-	-	-	9.278	-	-	17.218
Shares and instruments with variable income	13.197	24.244	283	586	1.444	18	125	-	39.897
Derivatives and unpaid derivatives	19.973	18.933	-	-	3.054	39.154	81	21	81.216
Investments in subsidiaries	8.139	2.953	-	1.098	-	104.157	-	-	116.347
Other assets	5.640	403	498	4.061	396	8.485	4	-	19.487
Total assets	195.474	241.633	39.474	117.964	78.617	176.655	11.757	13.593	875.167
Total assets in mEUR	1.231	1.522	249	743	495	1.112	74	86	5.511
% of Total assets	22,34%	27,61%	4,51%	13,48%	8,98%	20,19%	1,34%	1,55%	

26. Set-off

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

Until all disputes have been concluded the real and accurate amount of claims accepted for set-off remains uncertain. The Winding-up Committee received set-off claims from close to 100 counterparties amounting to approximately ISK 537 billion. In addition, several counterparties who have not formally requested a set-off in their filed claim have indicated their intention to set-off. 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 fulfil the conditions that a declaration for set-off must fulfil 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 the aforesaid in mind.

The Winding-up Committee currently estimates, on a preliminary basis, set-off effects on assets at fair value as at 31.12.2011 (ISK 875 billion) to be in the order of approximately ISK 40-65 billion. The exact set-off effects on the assets and liabilities side will differ as a) the asset side is at fair value while claims are not b) the asset side at fair value may considerably change over time which may significantly affect the set-off amount c) several counterparties who have indicated their intention to set-off may not have filed a claim or filed a claim net of set-off, in these instances potential set-off effects will only impact the asset side and not the claims side. This set-off analysis is based on number of assumptions including Winding-up Committee's decisions, as at the reporting date, with regards to the validity of the relevant claim and rights to set-off where applicable.

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