INTERIM FINANCIAL STATEMENTS

1 JANUARY - 30 JUNE 2014

Kaupthing hf. (in winding-up proceedings) | Borgartún 26 | 105 Reykjavík | Iceland | Reg. no. 560882-0419

CONTENTS

ENDORSEMENT BY THE WINDING-UP COMMITTEE

Kaupthing hf. (Kaupthing, the "Company"), is currently in winding-up proceedings headed by a winding-up committee (the "Winding-up Committee"). The Winding-up Committee is responsible for all of the Company's affairs, including directing its daily operations, managing the Company's assets, administrating the claims process and safeguarding the Company's interests for the benefit of the Company's creditors.

Pursuant to Act No. 125/2008 on Authority for treasury disbursements due to unusual financial market circumstances etc., the Icelandic Financial Supervisory Authority (the "FME") was given the power to appoint a resolution committee for the Company and other financial institutions. On 9 October 2008, the Company's board of directors resigned due to the Company's financial difficulties. In accordance with the aforementioned legislation, the FME appointed a resolution committee which immediately assumed control of the Company. On 25 May 2009, pursuant to Act No. 44/2009 amending Act No. 161/2002 on Financial Undertakings (the "Act on Financial Undertakings"), the District Court of Reykjavik appointed the Winding-up Committee to oversee and administrate the Company's claim process.

In accordance with the provisions of Act No. 78/2011, amending the Act on Financial Undertakings, the resolution committee was dissolved as of 1 January 2012. The Winding-up Committee took over the respective tasks that were previously handled by the resolution committee.

The Company is operating in accordance with the provisions of the Act on Financial Undertakings which set out the legal framework for the winding-up proceedings. These provisions are supplemented by the general provisions of the Act on Bankruptcy No. 21/1991 (the "Bankruptcy Act").

During the winding-up proceedings the Winding-up Committee shall i.a endeavour to obtain as high a value as possible for the financial undertaking's assets, for instance, by waiting if necessary for outstanding claims to mature rather than realising them at an earlier date. In addition, the Company can only remain in winding up proceedings as long as composition is targeted and achievable.

The Winding-up Committee, after consultation with creditors and other parties, is preparing the Company for a creditor's composition. However, as the vast majority of the Company's assets is located abroad and/or denominated in foreign currencies, and given the fact that the bulk of claims against the Company is held by creditors domiciled abroad, the execution of such a composition agreement with the creditors will not be possible, due to the capital controls provided for in the Foreign Exchange Act No. 87/1992, without an exemption from the Central Bank of Iceland (the "CBI"). The Company has submitted an exemption application but has not received a formal response from the CBI. Furthermore, according to the Act on Financial Undertakings if a composition is ultimately not achievable then the Winding-up Committee shall petition for the Company to be subject to bankruptcy proceedings by a ruling of the District Court.

Operations 1.1. - 30.6. 2014

In 2014, the Company continued the active management of its diverse portfolio of assets in accordance with the aim of the Winding-up Committee to maximise value of assets until distributions can be made to unsecured creditors. Determination of claims against the Company likewise continued.

In December 2013 legislative amendments were made on the Bank Tax Act No. 155/2010 which imposed a new tax on the Company based on finally accepted claims in excess of ISK 50 billion as at year end. The Winding-up Committee has expressed doubts as to the legitimacy of the Bank Tax and reserves all rights in that respect, including but not limited to, having the validity of the taxation tested before Icelandic Courts.

As at 30 June 2014 the Company's total assets amounted to ISK 789 billion and outstanding claims amounted to ISK 2,857 billion. The loss for the period from 1 January to 30 June amounts to ISK 9.5 billion.

As this is the first interim financial statements in accordance with the Icelandic Act on Annual Accounts No. 3/2006, comparative amounts for the period from 1 January to 30 June 2013 are not available, all comparative amounts in the interim financial statements are for the full year 2013.

ENDORSEMENT BY THE WINDING-UP COMMITTEE

General

The Company's risk management possibilities are severely restricted under Icelandic legislation. Reference is made to note 4 in the interim financial statements for further discussion on the Company's risk management.

The interim financial statements are prepared on the basis that the Company will be able to manage the timing of realisation of its assets. The realisable values of the Company's assets may be different at any given point in time as most of the non-cash assets are complex, illiquid and not standardised and subject to a number of material uncertainties, including general economic and market conditions which have been and may continue to be volatile. Reference is made to note 2d regarding uncertainties/use of estimates and judgements.

The liabilities of the Company are currently being determined through a formal claims filing process which is administered by the Winding-up Committee. The scope of the Company's liabilities remains uncertain until the legal process of recognising and excluding claims has been further progressed by the Winding-up Committee and, where applicable, the Icelandic Courts.

Statement by the Winding-up Committee

The interim financial statements of Kaupthing for the period from 1 January to 30 June 2014 have been prepared in accordance with the Icelandic Act on Annual Accounts No. 3/2006. The interim financial statements are unaudited.

In our opinion, the interim financial statements and endorsement by the Winding-up Committee give a true and fair view of the development and performance of the Company's operations during the period from 1 January to 30 June 2014 and its financial position as at 30 June 2014 and describe the principal risks and uncertainties faced by the Company.

The Winding-up Committee has today discussed the interim financial statements of Kaupthing hf. for the period from 1 January to 30 June 2014 and confirms them by means of their signatures.

Reykjavik, 18 September 2014,

Winding-up Committee:

INCOME STATEMENT
from 1 January to 30 June 2014

	Notes	2014 1.1.-30.6.	2013 1.1.-31.12.
Interest income	6	4,299	6,665
Net impairment	7	9,544	5,347
Net financial income	8	25,554	21,499
Net foreign exchange rate loss		(12,896)	(59,509)
Changes in claims registry	9	11,392	94,403
Late filed priority claims in dispute		(39,692)	(15,307)
Operating income		**(1,799)**	**53,098**
Salaries and related expenses	10	(668)	(1,319)
General and administrative expenses	10	(2,000)	(3,807)
Operating expenses		**(2,668)**	**(5,126)**
(Loss) profit before taxes		**(4,467)**	**47,972**
Bank tax	24	(5,027)	(9,932)
(Loss) profit for the period		**(9,494)**	**38,040**

Amounts are in ISK million

BALANCE SHEET
as at 30 June 2014

	Notes	30.6.2014	31.12.2013
Assets			
Cash at bank	11	413,142	418,566
Loans to and claims against credit institutions	12	9,575	9,982
Loans to customers	13-16	97,579	104,781
Bonds and debt instruments	17	6,391	6,306
Shares and instruments with variable income	18-19	234,141	210,757
Unsettled derivative receivables	20	13,844	14,146
Other assets	21	14,139	13,544
Total assets		**788,811**	**778,082**
Liabilities			
Claims	22	2,856,707	2,878,725
Late filed priority claims in dispute - not paid into custody account	23	37,015	-
Bank tax	24	14,959	9,932
Other liabilities		1,370	1,171
Total liabilities		**2,910,051**	**2,889,828**
Equity			
Share capital		7,270	7,270
Share premium		136,471	136,471
Accumulated deficit		(2,264,981)	(2,255,487)
Total equity	**25**	**(2,121,240)**	**(2,111,746)**
Total liabilities and equity		**788,811**	**778,082**
Other information	26-35		

Amounts are in ISK million

STATEMENT OF CASH FLOWS
from 1 January to 30 June 2014

	Notes	2014 1.1.-30.6.	2013 1.1.-31.12.
Cash flows from assets			
Interest received		2,281	6,701
Dividend received		1,218	650
Loans to and claims against credit institutions - principal payments		-	767
Loans to and claims against credit institutions - long term deposits		-	10,031
Loans to customers - principal payments		9,181	36,564
Loans to customers - principal outflow / RCF		(2,939)	(2,555)
Bonds and debt instruments - principal payments		489	4,333
Shares and instruments with variable income - purchase of equity stakes		(45)	(11)
Unsettled derivative receivables - net cash inflow		203	3,544
Other assets - net cash (outflow) inflow		(6)	18,446
Other inflow		85	80
Net cash from assets		**10,467**	**78,550**
Cash flows to other operating activities			
Fee income		171	391
Other financial inflow		-	1,214
Operating expenses		(2,436)	(5,688)
Net cash to other operating activities		**(2,265)**	**(4,083)**
Cash flows to claims			
Payment of claims Art. 109 and 110		-	(5,797)
Payment of claims Art. 112		-	(13,469)
Custody account - claims Art. 112 in dispute		41	(562)
Custody account - late filed claims Art. 109 and 110 in dispute		(2,677)	(15,307)
Net cash to claims		**(2,636)**	**(35,135)**
Net cash from operating activities		5,566	39,332
Effects of foreign exchange rate adjustments on cash at bank		(10,990)	(38,393)
Cash at bank at the beginning of the period		418,566	417,627
Cash at bank at the end of the period	11	**413,142**	**418,566**

Significant non cash transactions

Set-off settlements and nettings where assets and outstanding claims were offset or netted during the period amount to ISK 20.4 billion. Paid in kind (PIK) interest earned during the period amount to ISK 1.2 billion.

Amounts are in ISK million

NOTES

General information

1. Reporting entity

Kaupthing hf. (Kaupthing, the "Company") is a company domiciled in Iceland. The Company's registered office is at Borgartún 26, 105 Reykjavík. Kaupthing is currently in winding-up proceedings headed by a winding-up committee (the "Winding-up Committee").

The Winding-up Committee is responsible for all of the Company's affairs, including directing its daily operations, managing the Company's assets, administrating the claims process and safeguarding the Company's interests for the benefit of the Company's creditors.

The Winding-up Committee's principal objective is to ensure proper handling of claims against the Company and maximising the value of the Company's assets to the benefit of its creditors.

The Winding-up Committee is comprised of the following members: Ms. Feldis L. Oskarsdottir, District Court Attorney, Mr. Johannes R. Johannsson, Supreme Court Attorney and Mr. Theodor S. Sigurbergsson, Certified Public Accountant.

2. Basis of preparation

a) Statement of compliance

These parent company interim financial statements have been prepared in accordance with the Icelandic Act on Annual Accounts No. 3/2006 (the "Act on Annual Accounts").

The Company applies the exception of Art. 5(2) of the Act on Annual Accounts to use an accounting policy that deviates from the provisions in the Act on Annual Accounts in order for the interim financial statements to provide a true and fair view of the Company's performance and financial position. Due to the purpose of the Company to liquidate/sell subsidiaries in the short/medium term, subsidiaries and associates are recorded as Shares and instruments with variable income and are measured at fair value. However, the Act on Annual Accounts requires subsidiaries and associates to be recorded in accordance with the equity method or at cost. The book value of these Shares and instruments with variable income measured at fair value is ISK 183 billion (2013: ISK 166 billion) while the equity value is ISK 200 billion (2013: ISK 184 billion).

The interim financial statements were authorised for issue by the Winding-up Committee on 18 September 2014.

b) Going concern

The Company is in winding-up proceedings in accordance with Act No. 161/2002 on Financial Undertakings (the "Act on Financial Undertakings"). The Winding-up Committee plans to maximise the value of assets until distributions can be made to unsecured creditors. The interim financial statements are prepared on the basis that the Company will be able to manage the timing of realisation of its assets beyond a 12 month time horizon. External events, political, regulatory and/or legal, could affect the time scale, ability and process for such realisations.

c) Basis of measurement

The interim financial statements are prepared on the historical cost basis except for the following assets that are measured at fair value:

- Bonds and debt instruments
- Shares and instruments with variable income

d) Uncertainties/use of estimates and judgements

The Company has assets in respect of which limited or no observable market data is available and/or which are subject to legal action. The value of those assets is based on judgements regarding various factors as appropriate. Considerable judgement has been applied in recognising and determining the value of those assets. Changes in the underlying assumptions used in the measurement methods could materially affect these stated values.

The liabilities of the Company are currently being determined through a formal claims filing process which is administered by the Winding-up Committee. The scope of the Company's liabilities remains uncertain until the legal process of recognising and excluding claims has been further progressed by the Winding-up Committee and, where applicable, the Icelandic courts.

The preparation of the interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported values. The estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates and assumptions made.

The realisable value of the Company's assets may be different at any given point in time as most of the non-cash assets are complex, illiquid and not standardised and subject to a number of material uncertainties, including general economic and market conditions and legal uncertainties which have been and may continue to be volatile.

Refer to discussion on uncertainties and impairment/valuation methods in note 34 and sensitivities in note 35.

Basis of preparation, continued

e) Set-off

In the interim financial statements, assets and liabilities are offset and the net amounts presented, when there is a legally enforceable right to set-off the recognised amounts and an intention to either settle on a net basis or to realise the assets and settle the liabilities simultaneously.

The impact of disputed set-off is not taken into account in the interim financial statements. Until all disputes have been concluded the real and accurate amount of claims accepted for set-off remains uncertain. Further information on disputed set-off is provided in note 29.

3. Significant accounting policies

Interest income
Interest income is recognised on an accrual basis, except for non-performing loans for which no interests are accrued.

Impairment
Assets measured at amortised cost are reviewed at each reporting date to determine whether there is any indication of impairment. Impairment losses are determined by an evaluation of the exposures on a case-by-case basis, using the valuation methods outlined in note 34. Reasonable prudence is exercised in the valuation of individual items and potential losses which arise in the course of the financial period or in respect of previous financial years are taken into account. Impairment losses are recognised when losses are either incurred or foreseeable.

Where the value of assets has been impaired and the reasons for the reduction in value no longer apply, the previously recognised impairment loss is reversed. The amount of the reversal is recognised in the Income Statement.

Cash at bank
Cash at bank consists of cash and term deposits with credit institutions. Cash at bank comprises balances with up to six months' maturity.

Loans to and claims against credit institutions
Loans to and claims against credit institutions are measured at amortised cost less estimated set-off effects.

Loans to customers
Loans to customers are measured at amortised cost. Impairment is assessed for all loans on a case-by-case basis.

Bonds and debt instruments / Shares and instruments with variable income
Listed and liquid instruments are valued at fair value based on the quoted closing price on 30 June 2014.

Unlisted and listed illiquid instruments are valued at fair value. Fair value measurements for financial instruments for which no or limited observable market data is available are determined by using the valuation methods outlined in note 34. The methods of assessing the fair value are based on the market value of underlying factors of the financial instrument in question when applicable. For other financial instruments the value produced by a model or other valuation method is adjusted to allow for a number of factors as appropriate.

Reasonable prudence is exercised in the valuation of individual items and potential losses which arise in the course of the financial period, in respect of previous financial years or are foreseeable, are taken into account.

Unsettled derivative receivables
Unsettled derivative receivables consist of claims against counterparties in relation to matured or terminated derivative trades. For ISDA counterparties the derivative exposure and collateral are netted and converted to the termination currency as at the termination date. In cases where multiple entities/branches of the same counterparty are being settled under a single legal agreement, the respective positions are netted.

The value of unsettled derivative receivables is determined by using recognised valuation models. Once ISDA derivative contracts have been terminated, the non-defaulting counterparty must determine the net amounts owed by or to the defaulting counterparty. Third party quotes and close-out notices providing details of such calculations enable the Company to reconcile amounts. Impairment provisions are made to the Company's valuation of unsettled ISDA derivative receivables to account for potential disputes in valuation. For many non-ISDA counterparties, an impairment adjustment is made on derivative receivables to account for credit, legal and settlement risk.

Disputed set-off, which is further discussed in note 29, may significantly affect this asset class.

Other assets
Other assets are measured at amortised cost, less set-off effects.

Outstanding claims
Outstanding claims are based on the claim registry. Claims in foreign currencies have been converted into ISK at foreign exchange selling rates published by the Central Bank of Iceland (the "CBI") for 22 April 2009 in accordance with Act No. 44/2009. Hence, the outstanding claims have been fixed in ISK as at that date for all relevant claims.

4. Risk management

The Company has significant cash assets due to the monetisation or maturity of assets since October 2008. Cash management possibilities are limited due to the Company's legal status and restrictions imposed by Icelandic legislation. The Foreign Exchange Act No. 87/1992 (the "Foreign Exchange Act") provides for certain restrictions on cross-border transfers of capital while the Bankruptcy Act provides for limitations on how the Company's cash assets can be invested. As a result, the Company's reinvestment and currency trading possibilities, for risk management purposes, are severely limited.

The Foreign Exchange Act is subject to interpretation by the CBI and frequent amendments by the legislator. As either the Foreign Exchange Act is amended or interpretation of the said Act evolves, the authority of the Company to both manage and dispose of its assets may alter or be subject to various conditions set forth by the CBI. Hence such developments could inter alia materially and adversely affect the Company's asset portfolio.

The Company still has significant non-cash assets. The portfolio of non-cash assets includes loans, bonds, shares and instruments with variable income. The portfolio is static in nature and the book value is primarily affected by underlying borrower/investee business financial results. The Company's risk management possibilities are limited as the Company's legal status does not allow for executing hedging of its exposures, whether it is FX, market, interest rate et.al.risk. Active management of the assets continues, pending their eventual monetisation or maturity.

The Company considers credit risk associated with its Loans to customers' portfolio a material risk factor due to the varied credit quality of borrowers. The Company also considers concentration risk a significant risk factor as the Company's Loans to customers' portfolio is highly concentrated in terms of number of borrowers and their geographical and industry sector distribution. Further, there is a legal risk associated with the portfolio due to enforcement issues related to borrowers that have defaulted on their contractual obligations.

Market risk is the prospective risk that market price movements negatively impact the value of the assets of the Company. This includes movements in equity prices, interest rates and prices of foreign currency. Market risk is considerable but the Company's means to mitigate this risk are severely limited.

At present the Company does not consider liquidity risk a material risk factor. However, the Company recognises the future need for re-assessment of the risk factor in relation to possible distribution to creditors.

The Company faces risk in respect of the quantum of finally accepted claims. The Company considers risk associated with future and current late filed claims against the Company a material risk factor. Late filed claims will in many cases be disputed, but, if finally accepted, can lead to a material increase in the liabilities of the Company.

The Company faces risk in regard to the scope and application of the Foreign Exchange Act and/or the Act on Financial Undertakings as regards inter alia distributions to creditors, realisations of assets, asset support and foreign exchange rates. Other key risk factors are of strategic nature and include the legal and political unpredictability as well as risk factors specific to the operational environment of the Company. Such risk factors include potentially being unable to retain key staff and uncertainty of the future operations of the Company regarding potential distributions to creditors.

Due to recent legal and political developments, the Company considers future taxation and other legislative amendments to the current winding up proceedings to be or could be a material risk factor.

The Company recognises that risk factors may change over time, risk factors which are currently deemed minor may become important and vice versa or new risk factors might emerge which are currently unknown to the Company. The company will continue to monitor and reassess the various risk factors which it believes are most relevant at any given time and which may affect its operations.

5. Foreign exchange rates

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot foreign exchange rates as quoted on Reuters at 16:30 on the balance sheet date. Profits and losses arising on exchange are included in net profit or loss for the period.

	Balance Sheet	
	30.6.2014	31.12.2013
AUD	106.08	102.94
CAD	105.46	108.33
CHF	126.91	129.24
DKK	20.67	21.25
EUR	154.10	158.49
GBP	192.53	190.68
JPY	1.11	1.09
NOK	18.36	18.95
SEK	16.83	17.90
USD	112.58	115.09

Amounts are in ISK million

NOTES

Notes to the Income Statement

6. Interest income is specified as follows:

	2014 1.1.-30.6.	2013 1.1.-31.12.
Cash at bank	1,220	2,087
Loans to and claims against credit institutions	25	117
Loans to customers	2,818	3,980
Bonds and debt instruments	151	299
Other	85	182
Interest income	4,299	6,665

7. Net impairment is specified as follows:

	2014 1.1.-30.6.	2013 1.1.-31.12.
Impairment reversal on loans to and claims against credit institutions	-	227
Impairment reversal on loans to customers	3,780	23,730
Impairment reversal on unsettled derivative receivables	10,147	2,655
Impairment reversal on other assets	1,127	238
Impairment reversal	15,054	26,850
Impairment loss on loans to and claims against credit institutions	-	-
Impairment loss on loans to customers	(5,453)	(19,319)
Impairment loss on unsettled derivative receivables	(57)	(975)
Impairment loss on other assets	-	(1,209)
Impairment loss	(5,510)	(21,503)
Net impairment reversal	9,544	5,347

8. Net financial income is specified as follows:

	2014 1.1.-30.6.	2013 1.1.-31.12.
Dividend income	1,265	650
Net gain on bonds and debt instruments	630	1,632
Net gain on shares and instruments with variable income	23,512	16,251
Other financial income	147	2,966
Net financial income	25,554	21,499

9. Changes in claims registry is specified as follows:

	2014 1.1.-30.6.	2013 1.1.-31.12.
Outstanding claims liabilities at beginning of the period	2,879,287	2,994,802
Outstanding claims liabilities at the end of the period	2,856,724	2,879,287
Total	22,563	115,515
Payment of claims - Art. 109 and 110	-	(5,797)
Payment of claims - Art. 112	(43)	(13,469)
Set-off and amendments	(11,128)	(1,846)
Changes in claims registry	11,392	94,403

Amounts are in ISK million

NOTES

10. Operating expenses is specified as follows:	2014 1.1.-30.6.	2013 1.1.-31.12.
Salaries	526	1,016
Salary related expenses	142	303
External advisors	1,608	3,021
Other expenses	392	786
Operating expenses	2,668	5,126

External advisory expenses are specified as follows:	2014 1.1.-30.6.	2013 1.1.-31.12.
Winding-up Committee	103	264
Professional service	827	1,459
Legal services	570	981
Non recoverable VAT	108	317
External advisors	1,608	3,021
Average number of employees	52	56

Notes to the Balance Sheet

Cash at bank

11. Cash at bank specified by geographical location:	30.6.2014			31.12.2013		
	Iceland	Other	Total	Iceland	Other	Total
Non ISK	44,043	349,504	393,547	44,848	353,550	398,398
ISK	19,595	-	19,595	20,168	-	20,168
Cash at bank	63,638	349,504	413,142	65,016	353,550	418,566

The Company's cash holdings are subject to Icelandic capital controls. Certain cross-border transactions require pre-approval of the CBI, whilst other transactions are subject to reporting requirements to the CBI.

Loans to and claims against credit institutions

12. Loans to and claims against credit institutions specified by types of loans and claims:	30.6.2014		31.12.2013	
	Gross amount	Amortised cost	Gross amount	Amortised cost
Foreign				
Cash collateral held with banks against guarantees	5,781	5,781	6,118	6,118
Restricted bank accounts	3,018	3,018	-	-
Frozen/emptied bank accounts	982	982	4,095	4,095
Other loans and claims	255	232	262	238
Loans to and claims against credit institutions before set-off against counterclaims	10,036	10,013	10,475	10,451
Subject to set-off	(438)	(438)	(469)	(469)
Loans to and claims against credit institutions after set-off	9,598	9,575	10,006	9,982

Amounts are in ISK million

Loans to customers

13. Loans to customers specified by portfolios:

	30.6.2014		31.12.2013	
	Gross amount	Amortised cost	Gross amount	Amortised cost
Operating loan portfolio	179,590	76,083	193,419	83,418
NOA loan portfolio	971,335	21,496	984,190	21,363
Loans to customers	1,150,925	97,579	1,177,609	104,781

Loans to customers are divided into two sub-portfolios due to the way the Company organises the management of its assets. "Operating loan portfolio" which is predominantly made up of loans to borrowers with underlying operating businesses, and the "NOA loan portfolio" which is made up of loans to borrowers with little or no underlying business operations.

14. Loans to customers specified by sectors:

	30.6.2014		31.12.2013	
	Gross amount	Amortised cost	Gross amount	Amortised cost
Consumer Goods and Retail	29,845	23,032	33,269	21,190
Business and Industrial Products	43,364	21,547	44,706	24,669
Real Estate	77,519	20,926	80,810	22,531
Holding Company	779,869	20,612	789,946	20,398
Consumer Services: Other	10,100	9,848	15,180	14,118
Individuals	118,696	174	120,370	284
Other	91,532	1,440	93,328	1,591
Loans to customers	1,150,925	97,579	1,177,609	104,781

15. Ten largest loans in loans to customers at amortised cost, broken down by sector and geographical location:

	30.6.2014	31.12.2013
Holding Company/UK**	20%	19%
Consumer Goods and Retail/UK**	14%	11%
Real Estate/Other	11%	11%
Consumer Services: Other/UK**	10%	9%
Consumer Goods and Retail/UK**	9%	9%
Real Estate/Scandinavia*	8%	8%
Business and Industrial Products/Scandinavia*	8%	8%
Business and Industrial Products/Scandinavia*	7%	8%
Business and Industrial Products/Scandinavia*	4%	4%
Business and Industrial Products/UK*	3%	4%
Ten largest loans of total Loans to customers	94%	91%

* Scandinavia includes Denmark, Finland, Norway, Sweden, Iceland and Faroe Islands.
** UK includes UK overseas territories and Crown dependencies.
The geographical location is determined by using the registration country where the majority of the underlying operation is located.

Amounts are in ISK million

16. Loans to customers - portfolios specified by performance:

	30.6.2014					
	Operating loan portfolio		NOA loan portfolio		Total	
	Gross amount	Amortised cost	Gross amount	Amortised cost	Gross amount	Amortised cost
Performing loans	44.7%	73.3%	0.1%	4.0%	7.1%	58.1%
Loans on view list	6.9%	9.4%	0.0%	0.0%	1.1%	7.3%
Loans on watch list	48.4%	17.3%	99.9%	96.0%	91.8%	34.6%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

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.

Bonds and debt instruments

17. Bonds and debt instruments specified by sectors:

	30.6.2014	31.12.2013
Holding Companies	3,955	3,686
Financial Services	921	970
Governments - listed	821	849
Energy and Environment	694	801
Bonds and debt instruments	6,391	6,306

Shares and instruments with variable income

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

	30.6.2014	31.12.2013
Listed	12,075	12,686
Unlisted	222,066	198,071
Shares and instruments with variable income	234,141	210,757

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

	30.6.2014	31.12.2013
Financial Services*	150,087	137,759
Real Estate	49,078	43,719
Holding Company	13,210	12,742
Consumer Goods and Retail	14,044	8,250
Consumer Services: Other	2,888	2,879
Life Sciences	2,113	2,169
Energy and Environment	1,994	1,783
Other	727	1,456
Shares and instruments with variable income	234,141	210,757

* The Company indirectly owns 87% of the equity in Arion Bank through its intermediate holding company Kaupskil ehf. Kaupskil's ownership in Arion Bank is accounted for at fair value and where the fair value of each share held in Arion Bank corresponds to its book value. The Company holds 32.7% of the outstanding shares in Norvestia Oyj in listed B-shares and unlisted A-shares and controls 56% of the votes. Norvestia Oyj is accounted for at fair value in accordance with asset valuation method for shares and instruments with variable income under category 3 (further described in note 34) where Norvestia's comparison is made with the way that closed end equity funds would report to their investors.

Amounts are in ISK million

Unsettled derivative receivables

20. Unsettled derivative receivables specified by counterparties:

	30.6.2014		31.12.2013	
	Gross amount	Amortised cost	Gross amount	Amortised cost
ISDA counterparties				
Unsettled derivative receivables, before set-off against counterclaims	13,645	13,645	20,809	20,724
Subject to set-off	(453)	(453)	(7,238)	(7,153)
Unsettled derivative receivables, after set-off	13,192	13,192	13,571	13,571
Non-ISDA counterparties				
Unsettled derivative receivables, before set-off against counterclaims	5,120	676	5,227	599
Subject to set-off	(24)	(24)	(30)	(24)
Unsettled derivative receivables, after set-off	5,096	652	5,197	575
NOA counterparties*				
Unsettled derivative receivables	30,967	-	30,669	-
Unsettled derivative receivables before set-off	49,732	14,321	56,705	21,323
Unsettled derivative receivables after set-off	49,255	13,844	49,437	14,146

*NOA counterparties relate to unsettled derivative receivables which are connected to NOA Loans to customers. Disputed set-off, which is further discussed in note 29, may significantly affect this asset class.

Other assets

21. Other assets specified by type:

	30.6.2014		31.12.2013	
	Gross amount	Amortised cost	Gross amount	Amortised cost
Accounts receivable	31,929	3,720	32,778	3,985
Claims on bankrupt entities	102,306	9,465	106,449	9,302
Sundry assets	5,252	954	4,586	2,501
Other assets before set-off against counterclaims	139,487	14,139	143,813	15,788
Subject to set-off	-	-	(2,244)	(2,244)
Other assets after set-off	139,487	14,139	141,569	13,544

Amounts are in ISK million

NOTES

Claims and claim process

22. The liabilities of the Company are currently being determined through a formal process administered by the Winding-up Committee. A total of 28,167 claims were lodged before the deadline for lodging claims on 30 December 2009, for a total amount of ISK 7,316 billion. 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 the Company's 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 Icelandic krona at the exchange rate published by the CBI on 22 April 2009. Hence, the liability side has been fixed in Icelandic krona as at that date for all relevant claims.

As at 30 June 2014, the total amount of claims registered in the list of claims, amounted to ISK 4,178 billion (2013: ISK 4,203 billion). The list of claims incorporates all claims lodged against the Company except those claims which were filed and later withdrawn by creditors and therefore includes claims which have been finally rejected by the Winding-up Committee. The list of claims excludes finally accepted priority claims (Art. 109 and 110) which have been paid in full.

Outstanding claims are specified as follows:	30.6.2014	31.12.2013
Priority claims finally accepted by the Winding-up Committee	13,975	13,469
General claims finally accepted by the Winding-up Committee	2,764,706	2,731,915
General claims accepted by the Winding-up Committee in set-off dispute	13,963	58,173
Rejected disputed claims - Art. 109	-	-
Rejected disputed claims - Art. 111	5,157	5,157
Rejected disputed claims - Art. 112	-	563
Rejected disputed claims - Art. 113	113,893	129,385
Payment of accepted priority claims under Art. 112	(13,975)	(13,469)
Own bonds under US MTN 144a programme	(40,474)	(40,474)
Subject to set-off	(521)	(5,432)
Outstanding claims	2,856,724	2,879,287
Payments to custody account due to rejected disputed priority claims	(17)	(562)
Total claims in Balance Sheet	2,856,707	2,878,725

23. Late filed priority claims in dispute:

	30.6.2014	31.12.2013
Late filed priority claims Art. 109 - 110 in dispute	54,457	15,307
Custody account related to priority claims in dispute	(17,442)	(15,307)
Late filed priority claims in dispute - not paid into custody account	37,015	-

As disclosed in note 33 on events after the balance sheet date in the financial statements dated 31 December 2013, two claims amounting to EUR 226 million and SEK 155 million, were lodged against the Company in February 2014 under paragraph 3 of Art. 110 of the Bankruptcy Act, c.f. paragraph 5 of Art. 118 of the Bankruptcy Act. The Winding-up Committee has, in accordance with paragraph 6 of Art. 102 of the Financial Undertaking Act, provisioned for these claims, including accrued interest, with payments into a custody account in the name of the Company. A payment of SEK 157 million was made on 15 April 2014 and a payment of EUR 240 million (ISK 37.015 million) was made after the balance sheet date, see note 33 on events after the balance sheet date. The claims continue to be in dispute.

Other liabilities

24. Bank tax

In December 2013, with effect from 31 December 2013, the Bank Tax Act No. 155/2010 ("the Bank Tax Act") was amended and now, in addition to operating financial undertakings, applies as well to financial undertakings in winding-up proceedings. The Bank Tax Act imposes a 0.376% tax on finally accepted claims in excess of ISK 50.0 billion as at the end of the period. The Company has estimated its potential liabilities due to the bank tax in respect of the period from 1 January to 30 June 2014 could be ISK 5,027 million, in total as at 30 June ISK 14,959 million (2013: ISK 9,932 million).

Amounts are in ISK million

Equity

25. Changes in equity is specified as follows:

	Share capital	Share premium	Accumulated deficit	Total
Changes in equity from 1 January to 30 June 2014				
Equity as at 1 January 2014	7,270	136,471	(2,255,487)	(2,111,746)
Loss for the period	-	-	(9,494)	(9,494)
Equity as at 30 June 2014	7,270	136,471	(2,264,981)	(2,121,240)
Changes in equity from 1 January to 31 December 2013				
Equity as at 1 January 2013	7,270	136,471	(2,293,527)	(2,149,786)
Profit for the period	-	-	38,040	38,040
Equity as at 31 December 2013	7,270	136,471	(2,255,487)	(2,111,746)

Other Information

26. Assets, classification and measurement:

	30.6.2014				
	Gross amount	Impairment	Amortised cost	Fair value	Total
Cash at bank	413,142	-	413,142	-	413,142
Loans to and claims against credit institutions	9,598	(23)	9,575	-	9,575
Loans to customers	1,150,925	(1,053,346)	97,579	-	97,579
Bonds and debt instruments	6,391	-	-	6,391	6,391
Shares and instruments with variable income	234,141	-	-	234,141	234,141
Unsettled derivative receivables	49,255	(35,411)	13,844	-	13,844
Other assets	139,487	(125,348)	14,139	-	14,139
Total assets	2,002,939	(1,214,128)	548,279	240,532	788,811

	31.12.2013				
	Gross amount	Impairment	Amortised cost	Fair value	Total
Cash at bank	418,566	-	418,566	-	418,566
Loans to and claims against credit institutions	10,006	(24)	9,982	-	9,982
Loans to customers	1,177,609	(1,072,828)	104,781	-	104,781
Bonds and debt instruments	6,306	-	-	6,306	6,306
Shares and instruments with variable income	210,757	-	-	210,757	210,757
Unsettled derivative receivables	49,437	(35,291)	14,146	-	14,146
Other assets	141,569	(128,025)	13,544	-	13,544
Total assets	2,014,250	(1,236,168)	561,019	217,063	778,082

Amounts are in ISK million

27. Assets specified by ISK and FX assets:

30.6.2014	ISK assets	FX from Icelandic counter-parties	Total ISK assets and FX from Icelandic counter-parties	FX from non-Icelandic counter-parties	Total assets
Cash at bank	19,595	44,043	63,638	349,504	413,142
Loans to and claims against credit institutions	-	-	-	9,575	9,575
Loans to customers	855	108	963	96,616	97,579
Bonds and debt instruments	3,977	-	3,977	2,414	6,391
Shares and instruments with variable income	137,176	9,055	146,231	87,910	234,141
Unsettled derivative receivables	652	-	652	13,192	13,844
Other assets	306	10,020	10,326	3,813	14,139
Total assets	162,561	63,226	225,787	563,024	788,811
% of Total assets			29%	71%	

31.12.2013	ISK assets	FX from Icelandic counter-parties	Total ISK assets and FX from Icelandic counter-parties	FX from non-Icelandic counter-parties	Total assets
Cash at bank	20,168	44,848	65,016	353,550	418,566
Loans to and claims against credit institutions	-	-	-	9,982	9,982
Loans to customers	531	141	672	104,109	104,781
Bonds and debt instruments	4,161	-	4,161	2,145	6,306
Shares and instruments with variable income	122,024	8,556	130,580	80,177	210,757
Unsettled derivative receivables	574	-	574	13,572	14,146
Other assets	316	9,017	9,333	4,211	13,544
Total assets	147,774	62,562	210,336	567,746	778,082
% of Total assets			27%	73%	

The tables above show a breakdown of (a) assets in Icelandic krona, (b) all assets in foreign currency where counterparties are domiciled in Iceland and (c) assets in foreign currency where counterparties are domiciled outside of Iceland.

The category "FX from Icelandic counterparties" contains i.a. exposure to other Icelandic companies that own mainly foreign assets and are subject to winding-up procedures in Iceland or are otherwise being wound down. These assets may not ultimately be monetised in foreign currencies and any future cash flow from these assets may be subject to exemptions and conditions set forth by the Central Bank of Iceland or other Icelandic authorities, reference is made to note 4.

Amounts are in ISK million

NOTES

28. Assets specified by currencies:

	30.6.2014							
	GBP	EUR	ISK	SEK	USD	NOK	Other	Total assets
Cash at bank	80,177	120,964	19,595	89,484	45,235	43,120	14,567	413,142
Loans to and claims against credit institutions	-	287	-	5,743	406	-	3,139	9,575
Loans to customers	58,270	19,710	855	10,151	7,942	37	614	97,579
Bonds and debt instruments	-	864	3,977	-	1,550	-	-	6,391
Shares and instruments with variable income	64,209	26,702	137,176	2,045	3,538	403	68	234,141
Unsettled derivative receivables	-	12,742	652	-	450	-	-	13,844
Other assets	55	10,066	306	3,691	17	4	-	14,139
Total assets	202,711	191,335	162,561	111,114	59,138	43,564	18,388	788,811
% of Total assets	25.70%	24.26%	20.61%	14.09%	7.50%	5.52%	2.33%	

	31.12.2013							
	GBP	EUR	ISK	SEK	USD	NOK	Other	Total assets
Cash at bank	73,825	122,232	20,168	97,294	45,863	44,271	14,913	418,566
Loans to and claims against credit institutions	-	295	-	6,079	415	-	3,193	9,982
Loans to customers	61,055	22,701	531	10,953	8,804	38	699	104,781
Bonds and debt instruments	-	861	4,161	-	1,284	-	-	6,306
Shares and instruments with variable income	58,813	24,367	122,024	1,997	3,095	408	53	210,757
Unsettled derivative receivables	-	13,572	574	-	-	-	-	14,146
Other assets	56	9,237	316	3,850	71	3	11	13,544
Total assets	193,749	193,265	147,774	120,173	59,532	44,720	18,869	778,082
% of Total assets	24.90%	24.84%	18.99%	15.44%	7.65%	5.75%	2.43%	

Fluctuations in exchange rates between Icelandic krona and the foreign currencies in which the Company's assets are denominated will impact the values reflected in these interim financial statements. The Company's liabilities are principally in ISK.

29. Set-off

In the interim financial statements, assets and liabilities are offset and net amounts presented, when there is a legally enforceable right to set-off the recognised amounts and an intention to either settle on a net basis or to realise the assets and settle the liabilities simultaneously. The valuation of assets in these interim financial statements does not take fully into account the impact of disputed 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 currently estimates, on a preliminary basis, that additional negative effects of disputed set-off on the value of assets as at 30 June 2014 to be approximately ISK 0-14 billion. The exact set-off effects on the assets will differ from effects on claims. The set-off effects will be impacted by a number of factors, including a) the assets are subject to foreign currency movements while claims are not, b) the properties and value of assets may change considerably over time which may significantly affect any set-off amount and c) several counterparties who have indicated their intention to set-off or declared set-off, did not file a claim or only filed a claim net of set-off; in these instances potential set-off effects will only impact the assets and not the claims. This set-off analysis is based on a number of assumptions including Winding-up Committee decision with regards to the acceptance or rejection of the relevant claim against the Company and rights to set-off.

The exact impact of disputed set-off could make a material difference to overall creditor recoveries.

Amounts are in ISK million

30. Related Party

The Company has a related party relationship with parties that are controlled or dependent on the Company. Business with related parties has been conducted on an arms' length basis.

1.1.-30.6. 2014	income	Expense	Assets	Liabilities
Subsidiaries	2,333	201	319,935	315

1.1.-31.12. 2013	income	Expense	Assets	Liabilities
Subsidiaries	2,904	374	309,768	321

31. Taxes

Carry forward income tax losses specified by financial years:	30.6.2014
2008	1,766,223
2009	107,980
2010	-
2011	-
2012	18,210
2013	-
Total carry forward income tax losses	1,892,413

The carry forward tax losses are based on the Company's tax returns. Carry forward tax losses for the period from 1 January to 30 June 2014 have not been calculated. The tax losses expire in 10 years.

Due to uncertainty regarding utilisation of tax losses, the Company does not recognise deferred tax assets nor tax effects in the Income Statement.

32. Contingent liabilities

Dispute on the currency exchange rate used for payments of priority claims under Art. 112 of the Bankruptcy Act:

In 2013 the Company received objection from a priority creditor who had elected and received payment of his accepted priority claims in accordance with a so called euro-option. The basis of his objection was that the Winding-up Committee had not been entitled to use the selling exchange rate of the CBI on 22 April 2009 for payments under the euro-option but should rather have used the selling exchange rate of the CBI on 16 August 2013 for the payments.

The Winding-up Committee rejected the claim from the creditor and has maintained that it's method of paying priority claims under Art. 112 of the Bankruptcy Act was legitimate. The dispute on the currency exchange rate has now been referred to the District Court of Reykjavik for resolution. The Winding-up Committee expects to have a final and binding ruling on the matter in the second half of 2014.

Should Icelandic Courts rule in favour of the creditor the Company estimates that additional payments to priority creditors that received payments under the euro-option could amount to EUR 4.4 million.

Other contingent liabilities related to assets have been reflected in the respective asset book value.

33. Events after the balance sheet date

The Company received an inquiry from the Icelandic Tax Authorities dated after the balance sheet date. The inquiry relates to purchase of foreign professional services and the Internal Revenue's interpretation on VAT legislation related to such purchased services. The inquiry is currently being processed by the Company.

A payment equivalent to ISK 37.0 billion was made into a custody account after the balance sheet date in relation to a late filed priority claim in dispute lodged against the Company in February 2014. See note 23.

In August 2014 a claim was lodged against the Company under paragraph 3 of Art. 110 of the Bankruptcy Act, c.f. paragraph 5 of Art. 118 of the Bankruptcy Act, for a total amount of ISK 110 million. No decision has been made by the Winding-up Committee with respect to this late filed priority claim.

Amounts are in ISK million

NOTES

34. Uncertainties and valuation methods

The liabilities of the Company are currently being determined through a formal claims filing process which is administered by the Winding-up Committee. The scope of the Company's liabilities remains uncertain until the legal process of recognising and excluding claims has been further progressed by the Winding-up Committee and where applicable the Icelandic Courts.

The interim financial statements are prepared on the basis that the Company will be able to manage the timing of the realisation of its assets. The Company has assets where no or limited observable market data is available and/or are subject to legal action. The value of those assets is based on judgement regarding factors as appropriate. Considerable judgement has been applied in recognising and determining the value of those assets. Changes in the underlying assumptions used in the measurement technique could materially affect these estimates.

The estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The realisable values of the Company's assets may be different at any given point in time as most of the non-cash assets are complex, illiquid and not standardised and subject to a number of material uncertainties, including general economic and market conditions and legal uncertainties which have been and may continue to be volatile.

Asset impairment methods for Loans to customers:		% of amortised cost
Category 1 Cash flow based	Performing loans impaired for foreseeable losses due to operational risks, refinancing risks, contingent liabilities et al.	14.0%
Category 2 Collateral value	In cases where expected operational cash flow is currently deemed to be insufficient to service contractual repayments and interest payments, but the Company has guarantees or collateral over other assets to compensate in part or whole for any potential shortfall, the valuation of such collateral is used as the basis for determining the impairment adjustment. Adjustments are made, as applicable, to consider general and specific market developments since the last third party valuation or other factors which can affect enforcement and monetisation of the guarantees or collateral. This includes among other things CAPEX and working capital needs to sustain operations, ability to control and influence restructuring and exit timing, costs of the expected monetisation, taxes, enforcement, legal risk and litigation.	43.2%
Category 3 Comparables	In cases where expected operational cash flow is currently deemed to be insufficient to service contractual repayments and interest payments, and the compensation for potential shortfall is not appropriately determined by the collateral position, the impaired value of any such loans reflects the application of a relevant key financial driver. The key financial driver is then compared to the relevant multiples which are derived from a sample of comparable companies (EV to EBITDA, price to book value of equity, price to earnings etc.). Adjustments are made to consider costs of the expected exit route, taxes, litigation, ability to control and influence exit timing, CAPEX and working capital needs to sustain operations, market depth relative to the size, sector or geographical markets of the stakeholding.	42.8%
Category 4 Other	In cases where expected operational cash flow is currently deemed to be insufficient to service contractual payments and the compensation for potential shortfall is not covered by collateral nor category 3 asset impairment method, then other factors such as recourse against third parties, expected partial payments from the borrower are taken into account and used as basis for the impairment adjustment.	0.0%

Asset valuation methods for Bonds and debt instruments:		% of fair value
Category 1 Market prices	In cases where the debt instrument has an observable market price, that price is used as the basis of valuation after taking into account market depth relative to the size of stake and cost of sale.	43.4%
Category 2 Cash flows	In cases where there is not an observable market price for the debt instrument, but future cash flows and/or other market observable input can be estimated from available information, certain valuation techniques are used to derive the appropriate yield to discount expected future cash flows.	25.3%
Category 3 Underlying assets	In cases where there is not an observable market price for the debt instrument and future cash flow is highly uncertain due to the distressed nature of the underlying assets and/or lack of available information, the valuation approach is centred on assessing a debt recovery under certain underlying collateral assumptions.	31.3%

Asset valuation methods for Shares and instruments with variable income:		% of fair value
Category 1 Market prices	In cases where Shares and instruments with variable income have an observable market price, that price is used as the basis of fair value after taking into account market depth relative to the size of stakeholding and costs of disposal.	3.8%
Category 2 Underlying assets	In cases where Shares and instruments with variable income do not have an observable market price and the company operates in the real estate sector or is a holding company, the valuation of any such Shares and instruments with variable income reflects third party valuations of property portfolios less liability positions or other indication of perceived value. Adjustments are made to consider general and specific market developments since the last third party valuation, CAPEX and working capital needs to sustain operations, ability to control and influence exit timing, costs of the expected exit route, taxes, litigation etc.	25.4%
Category 3 Comparables	In cases where Shares and instruments with variable income do not have an observable market price and the company does not hold real estate portfolios, the valuation of any such Shares and instruments with variable income reflects the application of a relevant key financial driver. The key financial driver is then compared to the relevant multiples which are derived from a sample of comparable companies (EV to EBITDA, price to book value of equity, price to earnings etc). Adjustments are made to consider costs of the expected exit route, taxes, litigation, ability to control and influence exit timing, CAPEX and working capital needs to sustain operations, market depth relative to the size, sector or geographical markets of the stakeholding.	70.8%
Category 4 Other	In cases where there is not an observable market price and the company does not hold material assets in excess of its debt position and the application of a relevant multiple to the company's key financial drivers is not applicable (EV to EBITDA, price to book value of shares, price to earnings, etc.), then value is derived from other factors such as interest from third parties or other indication of perceived value or lack thereof.	0.0%

35. Sensitivity analysis.

Sensitivity has been assessed by looking at assets held by the Company representing approximately 74% of total non-cash assets and which are primarily valued by either EV/EBITDA multiple, real estate value/market value or price to book value. A sensitivity analysis shows that:

(a) if EBITDA multiple changes by 1.0x EBITDA then the value of the portfolio being looked at changes by 5.3%.
(b) if real estate value / market value changes by 20% the value of the portfolio being looked at changes by 5.6%.
(c) if price to book value changes by 0.3x book value, then the value of the portfolio being looked at changes by 15.9%.

If all inputs as listed above would change at the same time then the value of the portfolio being looked at changes by 26.7%.

Amounts are in ISK million

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