

Financial Information YE 2010

- Supplementary Material -

Creditors' Report

March 2011



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Overview of the Bank's Statement of Assets



■ Results:

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

■ A Creditors' Report Update Meeting is scheduled at 3pm London time on 9 March 2011 at the offices of Morgan Stanley, 6th floor, 20 Bank Street, Canary Wharf, London E14 4AD. See announcement on www.kaupthing.com for further information.

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

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



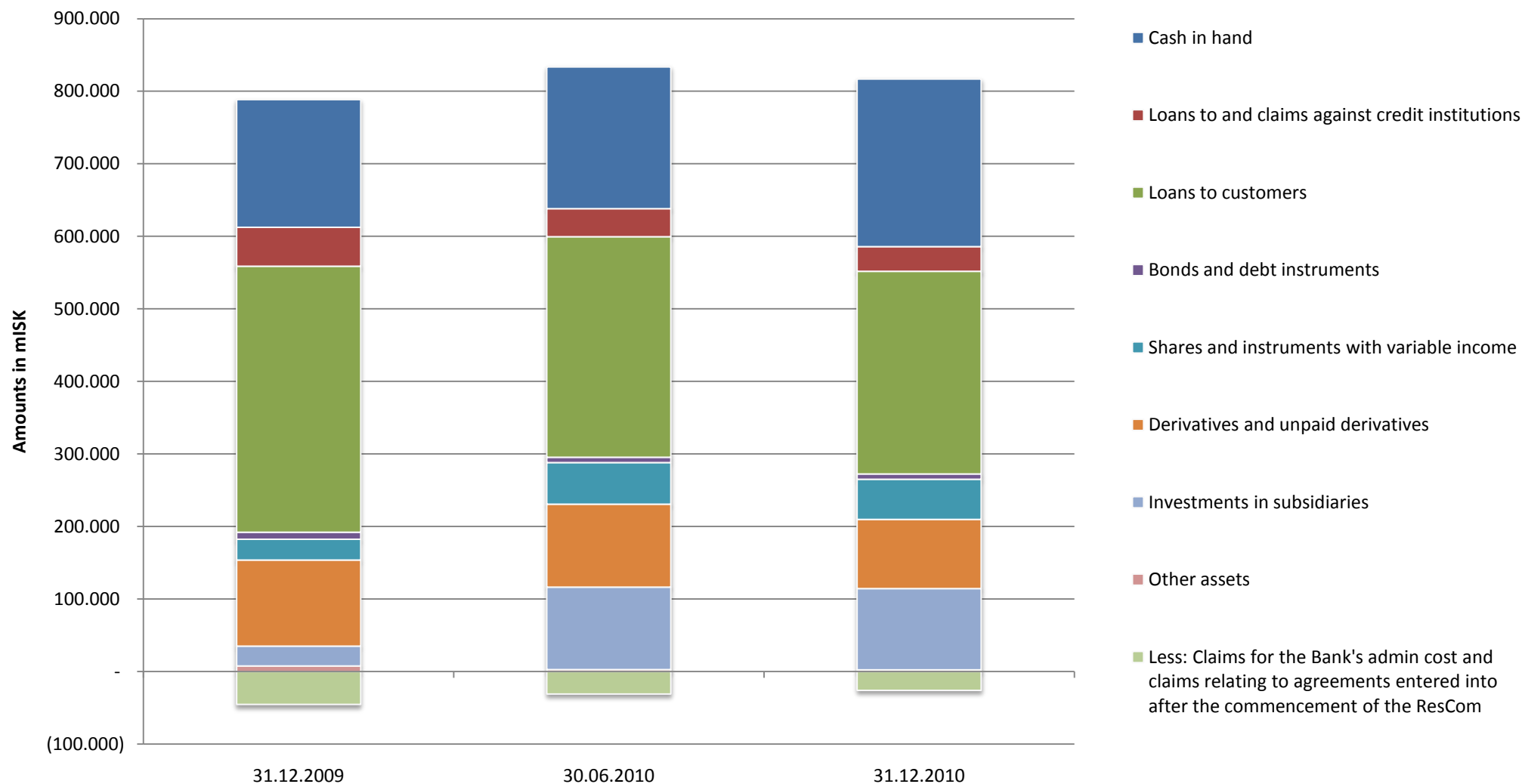
Assets	ISK million				EUR million			
	31.12.2010	30.06.2010	31.12.2009	% change (YoY)	31.12.2010	30.06.2010	31.12.2009	% change (YoY)
Cash in hand	231.128	195.456	176.066	31,3%	1.503	1.247	979	53,4%
Loans to and claims against credit institutions	34.136	38.650	53.481	-36,2%	222	247	297	-25,4%
Loans to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

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

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

All amounts in table in mISK and mEUR.

Development of Total Assets at Fair Value – Net of Pledged Assets



All amounts in mISK.

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



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

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

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

■ Further explanations are provided in the respective chapters.

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

All amounts in table in bnISK.

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



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

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

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

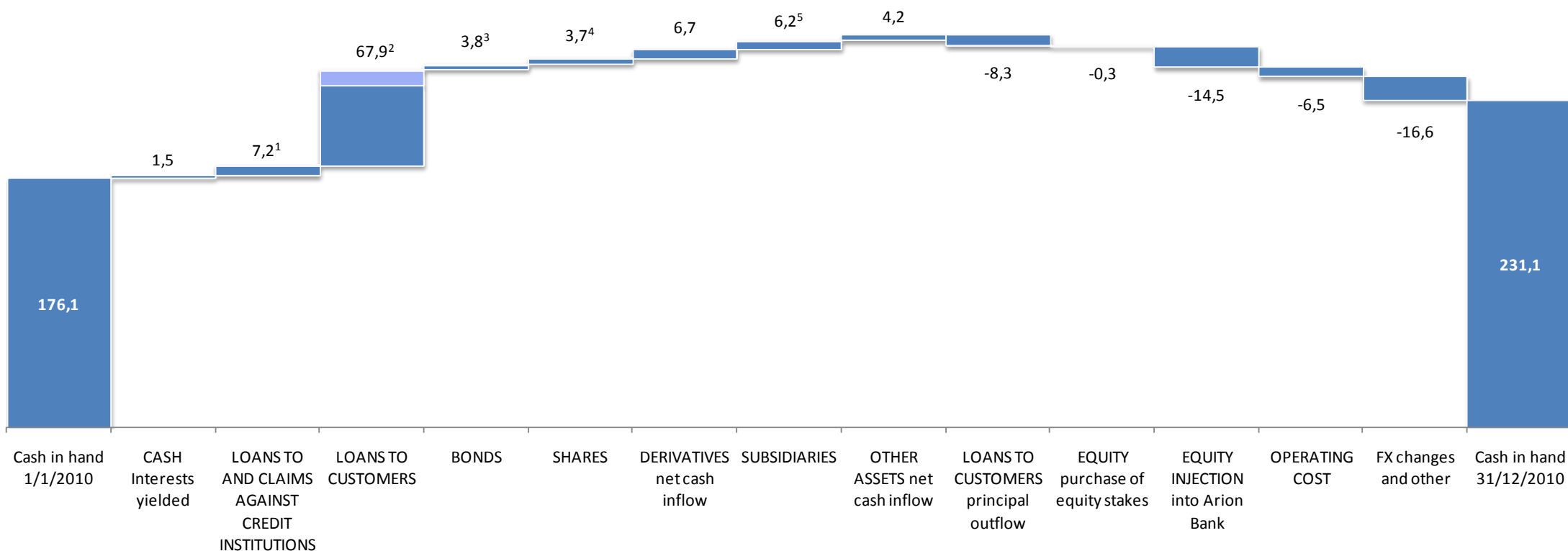
All amounts in table in mISK and mEUR.

Cash in Hand



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

Cash Flow in 2010



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

Amounts in bnISK.

Cash in Hand – Currency Breakdown



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

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

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

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

Loans to and Claims against Credit Institutions



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

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

All amounts in table in mISK unless otherwise specified.



Unpledged positions - overview

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

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

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

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

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

- Mostly domestic claims



Pledged positions - overview

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

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

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

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

Loans to Customers



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

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

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

All amounts in table in mISK unless otherwise specified.



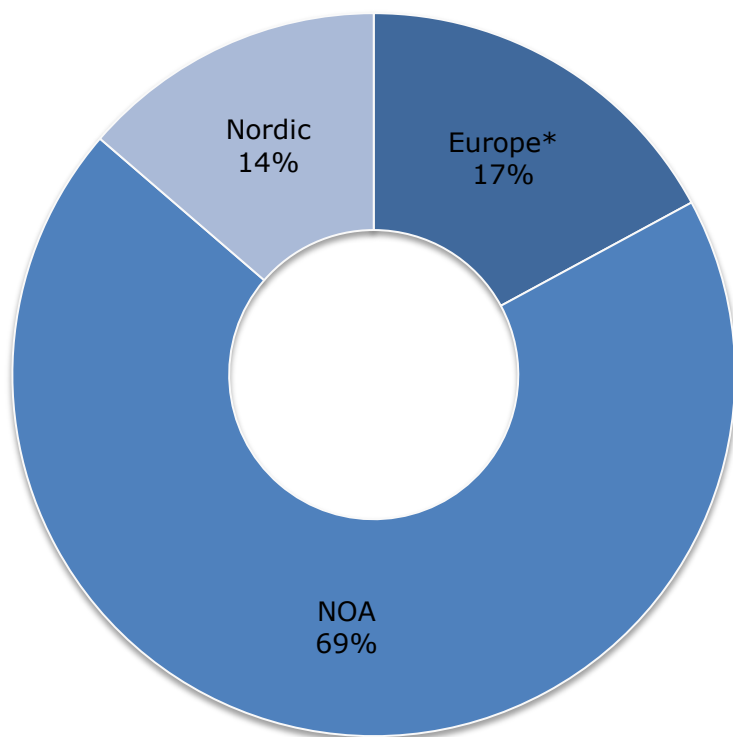
- The fair value of Loans to customers amounted to ISK 279,2bn and decreased by ISK 171,7bn
 - The decrease is primarily driven by transfer of loans to Arion Bank, inflow due to principal repayments of ISK 51,9bn and negative FX fluctuations of ISK 34,9bn
- Real value increase in 2010, excluding FX fluctuations,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

Loans transferred to Arion Bank

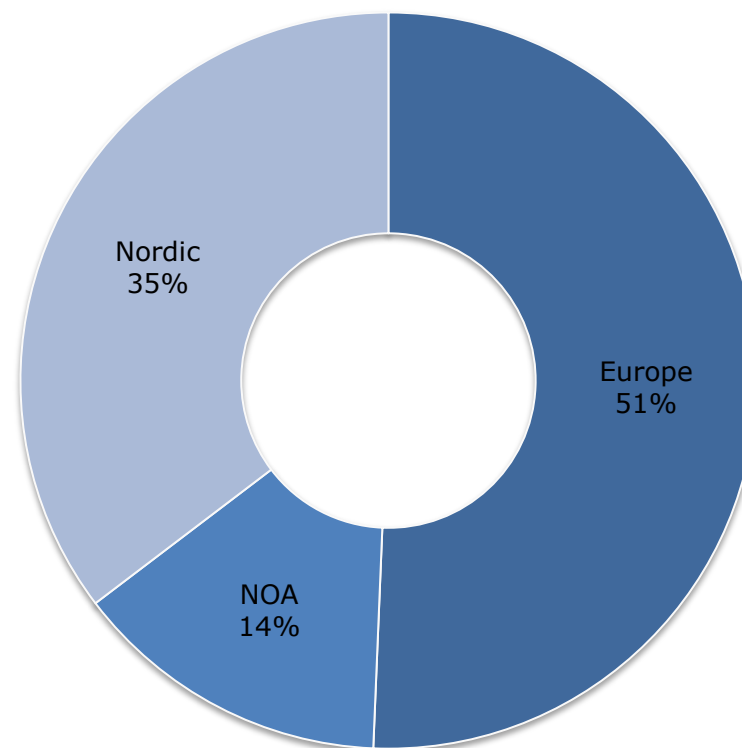
- In January 2010, the following loans were injected into Arion Bank as part of the Bank's equity injection into Arion Bank
 - a portfolio amounting to ISK 84,1bn (at fair value) which consisted of a portfolio of ISK mortgage loans, FX mortgage loans and loans to Icelandic municipalities, organisations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



Carrying value



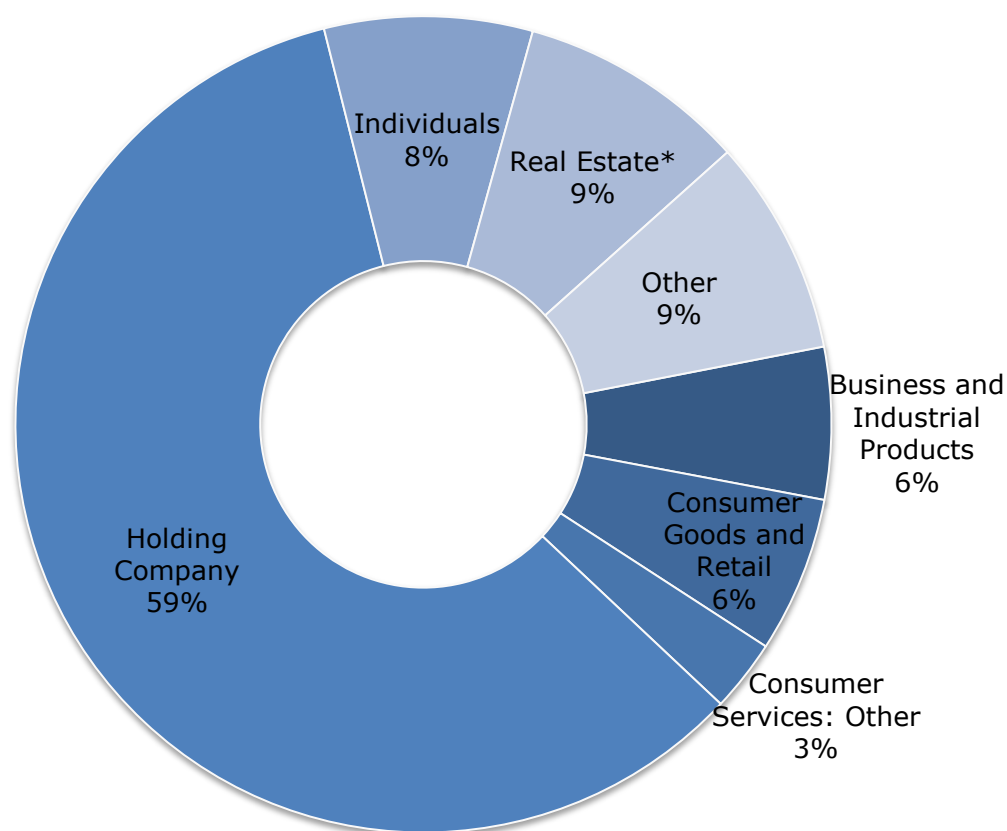
Fair value



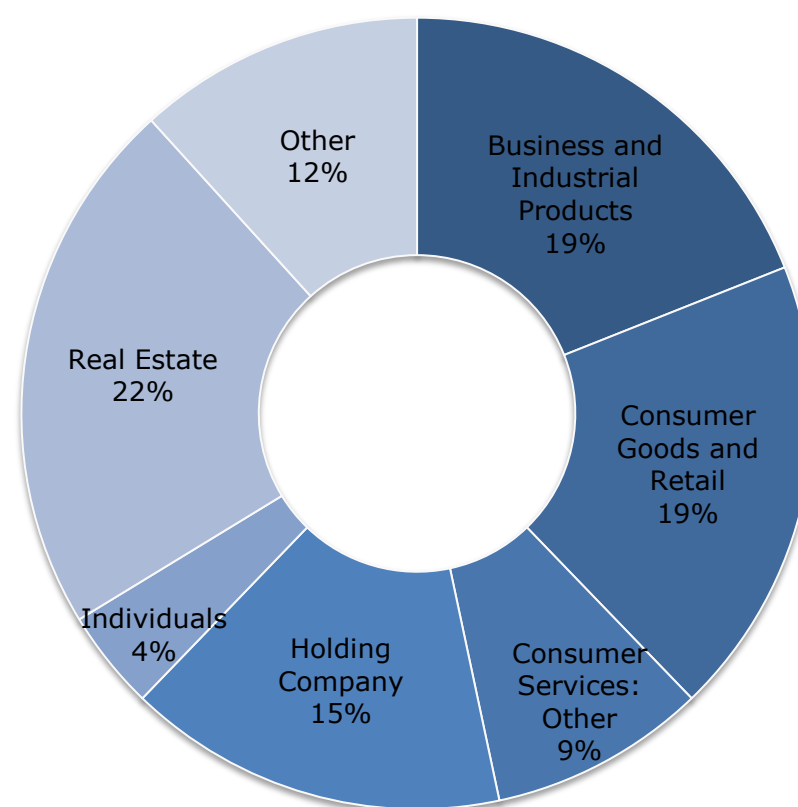
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Carrying value



Fair value



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

Loans to Customers – Breakdown by Sector



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

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

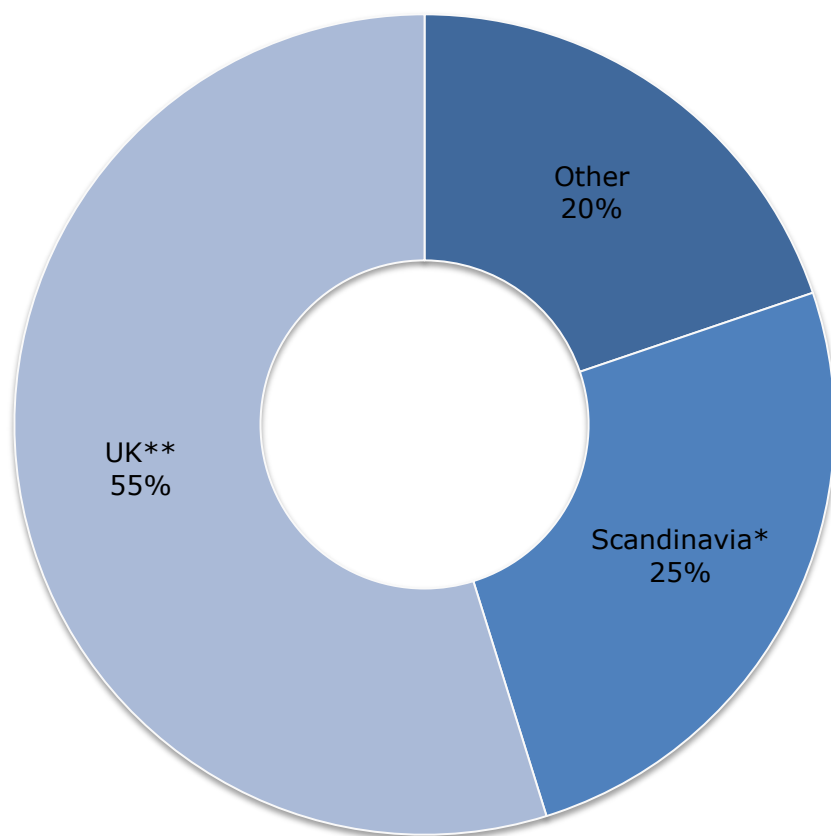
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To facilitate like-for-like comparison, the tables as at YE 2009 exclude the pledged portfolio which was injected into Arion Bank in January 2010.

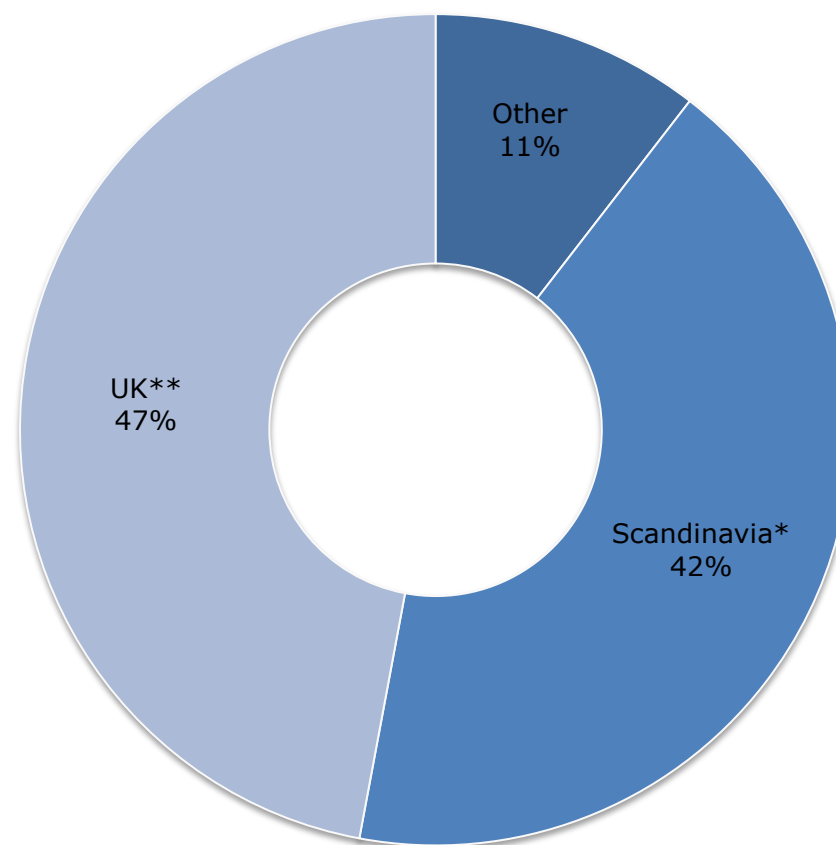
All amounts in table in mISK unless otherwise specified.



Carrying value



Fair value



* Scandinavia includes Iceland

**UK includes UK overseas territories and Crown dependencies

Loans to Customers – Breakdown by Geography



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

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

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

**Scandinavia includes Iceland

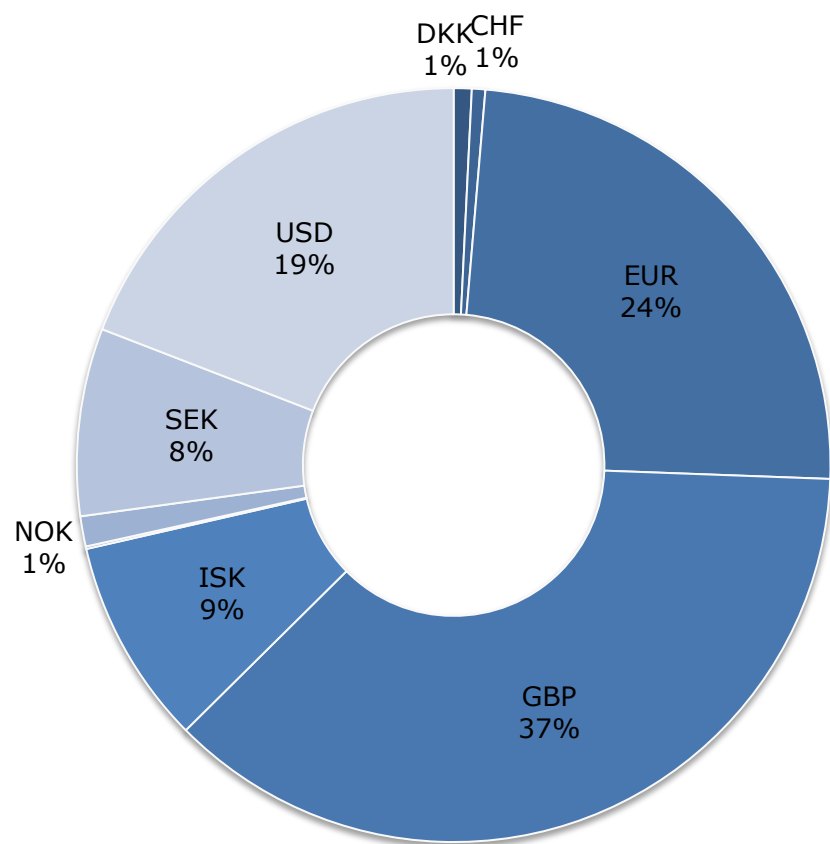
*** UK includes UK overseas territories and Crown dependencies

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

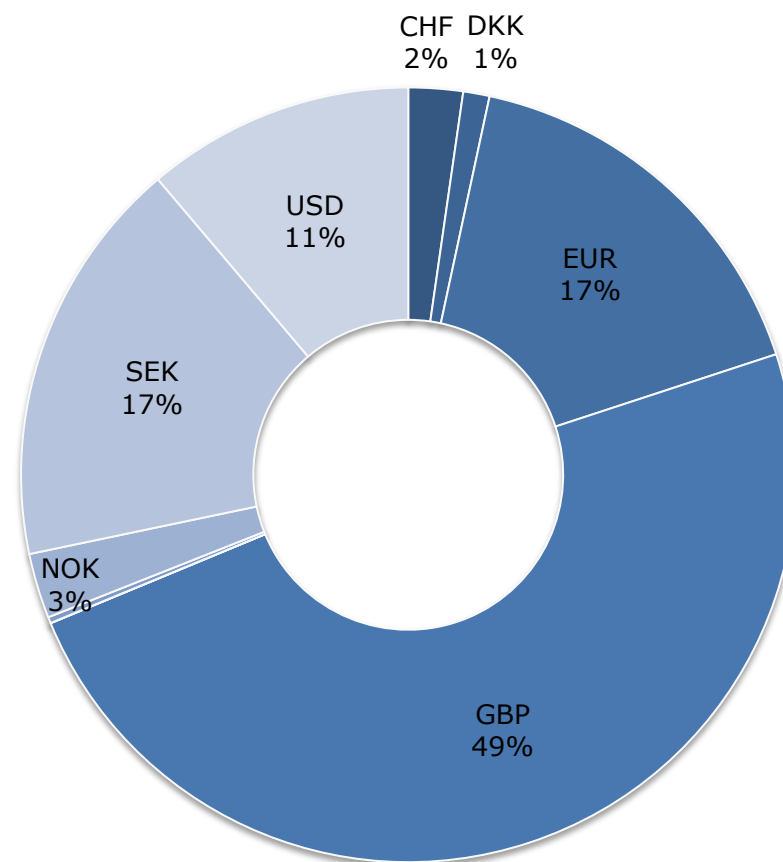
All amounts in table in mISK unless otherwise specified.



Carrying value

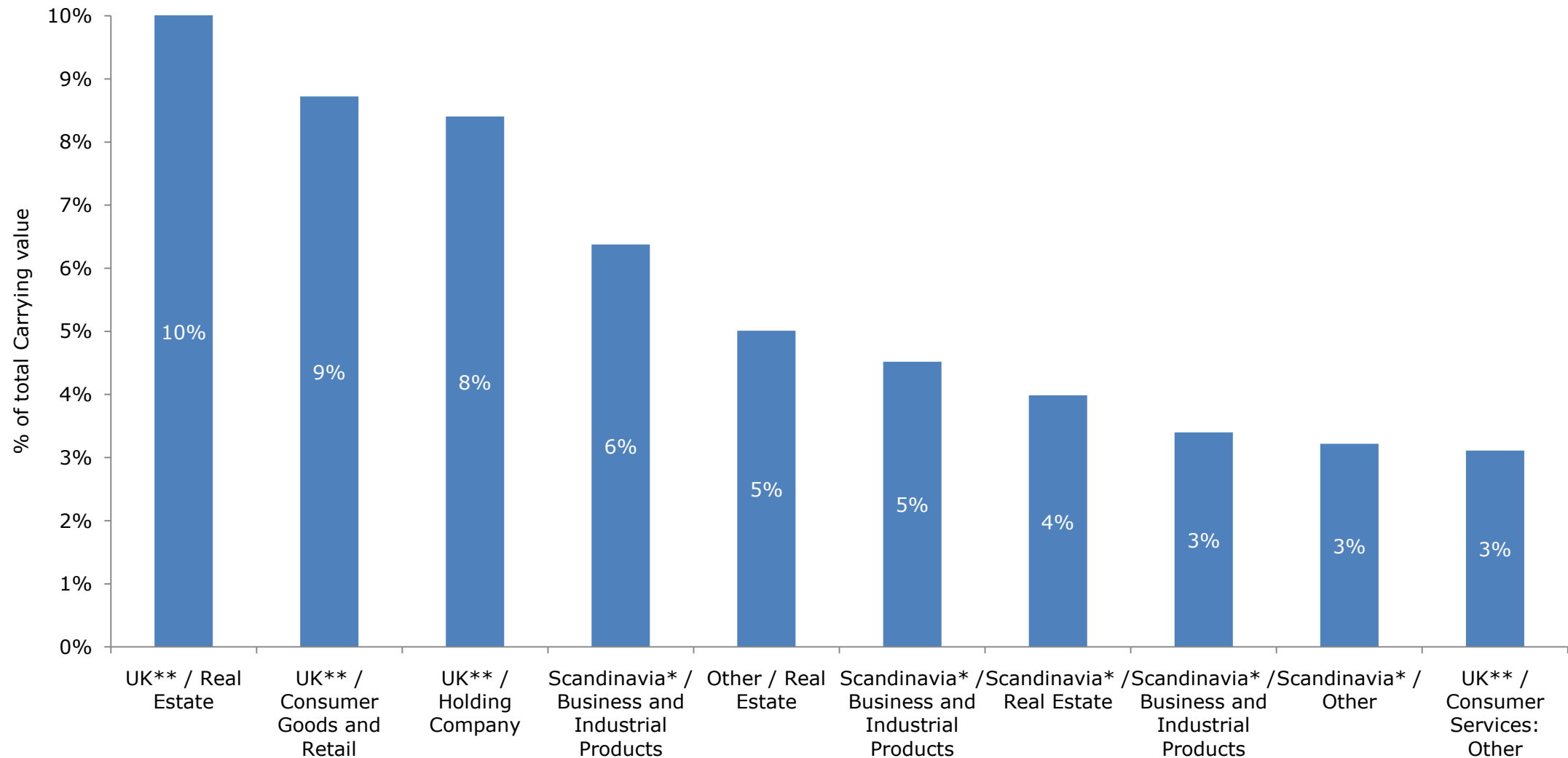


Fair value





Ten Largest Loans to Customers at Fair Value at YE 2010

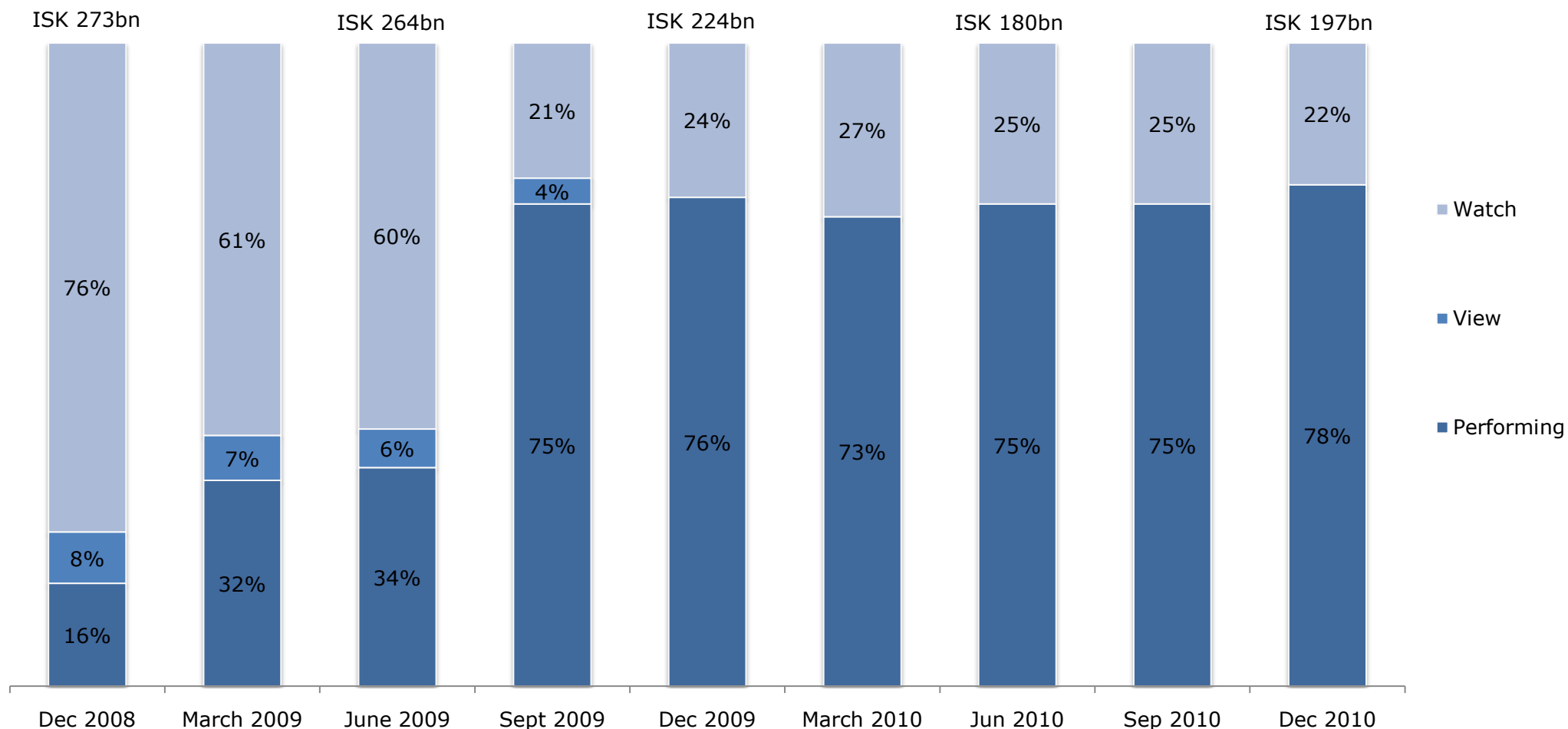


■ The ten largest Loans to customers by Sector and Country at Fair Value as a % of total Loans to customers at fair value as at the end of YE 2010

*Scandinavia includes Iceland

**UK includes UK overseas territories and Crown dependencies

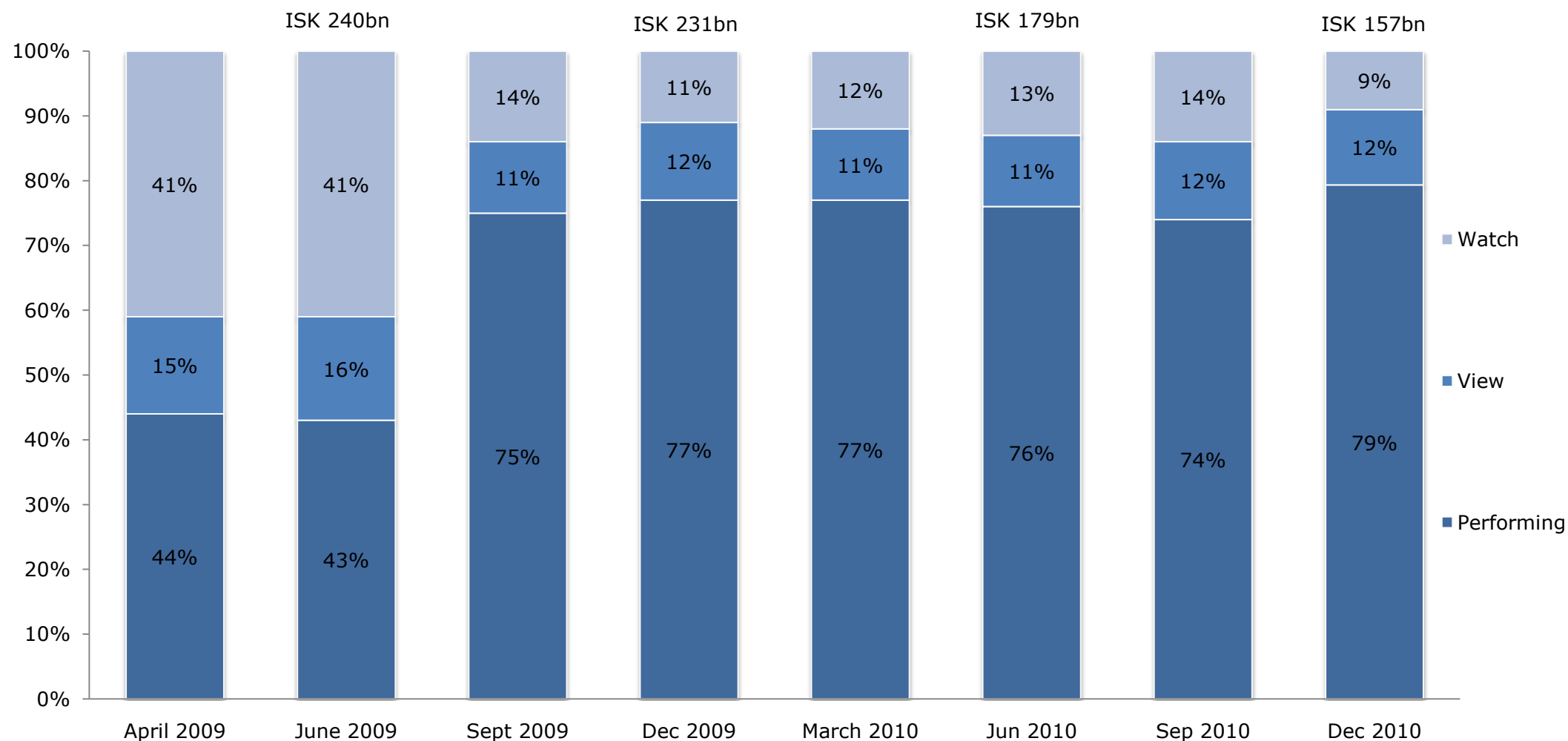
Europe Portfolio at Carrying Value – Performance



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

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

Nordic Portfolio at Carrying Value – Performance



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

Bonds and Debt Instruments

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

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

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

All amounts in table in mISK unless otherwise specified.

Shares and Instruments with Variable Income

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

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

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

All amounts in table in mISK unless otherwise specified.

Shares and Instruments with Variable Income – Ten Largest Unpledged Positions



- The value of the ten largest unpledged equity positions increased by ISK 29,8bn (126%) in 2010
- Significant real value increase in 2010 is driven from equity positions through debt for equity swaps and general asset management
 - When converting debt for equity the Bank endeavors to set the debt level not lower than perceived enterprise value at restructuring

Shares and instruments with variable income			
	31.12.2010	30.06.2010	31.12.2009
Consumer Goods and Retail/UK	18.807	20.046	1.824
Consumer Goods and Retail/Other	11.758	10.900	6.671
Financial Services/Other	6.905	6.428	4.494
Consumer Goods and Retail/UK	6.014	7.541	5.674
Consumer Services: Other/UK	3.314	1.966	203
Energy and Environment/UK	3.276	3.266	2.929
Life Sciences/UK	1.019	848	760
Consumer Goods and Retail/UK	931	993	203
Real Estate/UK	891	779	809
Real Estate/Other	551	383	125
Ten largest unpledged positions total	53.464	53.151	23.692
Ten largest unpledged positions total (mEUR)	348	339	132

All amounts in table in mISK unless otherwise specified.

Derivatives and Unpaid Derivatives

Derivatives and unpaid derivatives – Development in 2010



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

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

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

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

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

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

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

All amounts in table in mISK unless otherwise specified.

Investments in Subsidiaries

Investments in Subsidiaries – Development in 2010



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

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

All amounts in table in mISK unless otherwise specified.

Other Assets

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

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

All amounts in table in mISK unless otherwise specified.

Liabilities - The Claims Process



- The liabilities of the Bank 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 at 30 December 2009, amounting to ISK 7.316bn. However, as at YE 2010 the total amount of claims in the list of claims amounted to ISK 6.196bn. The decrease can mainly be attributed to, partially withdrawn claims, amendments to large claims and court rulings.
 - When adjusted for finally rejected claims, total outstanding claims amounts to ISK 5.502bn as at YE 2010
- The Winding-up Committee completed its decision on all claims by the Creditors' Meeting on 3 December 2010. However, as many objections were filed, the decisions in question are not final.
- 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 exchange rate published by the ICB on 22 April 2009. Hence, the liability side has been fixed in ISK as at that date for all relevant claims.
- In the event there are discrepancies between the liabilities estimate presented by the Resolution Committee and the accepted claims finally determined by the Winding-up Committee, the determination of the latter prevails.
- **All amounts on the following slides are based on the claim registry as at YE 2010.**

Adjusted outstanding claims

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

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

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

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

Amounts in mISK.

Total Outstanding Claims



■ Total outstanding claims as at YE 2010 shown by article and type

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

Amounts in mISK.

Accepted Claims – Final and in Dispute



■ Finally accepted claims by article and type

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

■ Accepted claims in dispute by article and type

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

Amounts in mISK.

Rejected Claims – Final and in Dispute



■ Finally rejected claims by article and type

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

■ Rejected claims in dispute by article and type

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

Amounts in mISK.



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

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

Operating Costs

- The table below sets out the operating costs of the Bank in 2010.
 - Operating costs of the Bank's operations, i.e. for the activities of both the Resolution Committee and the Winding-up Committee:

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

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

Appendix

Currency Table

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

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



- *Performing loans:* Loans to entities where cash flow is sufficient to service debt, i.e. interest and principal repayments and no breaches in agreements are foreseeable in the future.
- *Loans on view list:* Loans to entities where cash flow is sufficient to service debt, i.e. interest and principal repayments, but agreements have been breached or are likely to be breached in the foreseeable future. Some banks include this category within performing loans.
- *Loans on watch list:* Loans to entities where cash flow is insufficient to service debt, i.e. interest and principal repayments and agreements have been breached repeatedly.



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