



KAUPTHING

FINANCIAL STATEMENTS

FOR THE YEAR
ENDED 31 DECEMBER 2012

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FINANCIAL STATEMENTS

FOR THE YEAR
ENDED 31 DECEMBER 2012

ENDORSEMENT BY THE WINDING-UP COMMITTEE

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

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

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

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

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 other interests with the principal objective of preserving the interest of the creditors body as a whole.

The financial statements of Kaupthing for the year ended 31 December 2012 have been prepared in accordance with a special purpose framework defined by the Winding-up Committee as described in note 43 to the financial statements. Profit for the year ended 31 December 2012 amounted to ISK 480,186 million and total equity as at 31 December 2012 was negative by 2,211,082 million.

The Winding-up Committee has applied considerable judgement in recognising and determining the value of certain assets of the Company as described in note 43. The financial statements are prepared on the basis that the Company will be able to manage the timing of the realisation of its assets.

In our opinion, the financial statements are prepared, in all material respects in accordance with the special purpose framework.

The Winding-up Committee has today discussed the financial statements of Kaupthing hf. for the year 2012 and confirms them by means of their signatures.

The financial statements were approved 18 April 2013 and published on the website 19 April 2013. The financial statements are now republished with an endorsement by the Winding-up Committee, auditor's opinion and notes 43 and 44.

Reykjavík, 9 December 2013

David B. Gislason

Feldis L. Oskarsdottir

Johannes R. Johannsson

Theodor S. Sigurbergsson

INDEPENDENT AUDITOR'S REPORT

To the Winding-up Committee of Kaupthing hf.

We have audited the following account lines of Kaupthing hf's financial statements as at and for the year ended 31 December 2012:

- Total assets and related explanatory notes 18 and 20
- Outstanding claims and related explanatory note 33
- Operating expenses

The Winding-up Committee's Responsibility

The Winding-up Committee is responsible for defining the special purpose framework and the preparation of the financial statements in accordance with that framework, and for such internal control as management determines is necessary to enable the preparation of the financial statements that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the specified account lines based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the specified account lines are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the defined explanatory notes to the specified account lines. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the specified account lines, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the following accounts: Total assets and related explanatory notes 18 and 20, Operating expenses and Outstanding claims and related explanatory note 33 of Kaupthing hf. as at December 31, 2012 is prepared, in all material respects, in accordance with the special purpose accounting framework defined by the Winding-up Committee.

Emphasis of matter

Without qualifying our opinion, we draw attention to notes 1, 2 and 43 which describe that Kaupthing hf. is in winding-up proceedings and that its fair valuation of assets assumes Kaupthing hf. is able to manage the timing of the realisation of its assets and that there is material uncertainties regarding the level of realisations and eventual level of recognised claims.

Note 43 also describes that the specified accounts have been prepared in accordance with a special purpose framework defined by the Winding-up Committee. As a result, the financial statements may not be suitable for another purpose.

Restriction on use

Our auditor's report is intended solely for the information and use of the Winding-up Committee and outstanding claim holders as at 31 December 2012 and should not be used by parties other than these specified parties.

Reykjavík, 9 December 2013

Ernst & Young ehf.

Margrét Pétursdóttir, Partner

INCOME STATEMENT

for the year ended 31 December 2012

	Notes	2012
Interest income	6	10,307
Fee and commission income		245
Fee and commission expenses		(3)
Net fee income		<u>242</u>
Net financial income and expenses	7	(34,639)
Net foreign exchange gain	8	40,828
Share of profit from subsidiaries		20,415
Other income		589
Operating income		<u>27,193</u>
Changes in claims registry	9	451,090
Salaries and related expenses		(1,234)
Administration expenses		(7,412)
Operating expenses	10	<u>(8,646)</u>
		<u><u>480,186</u></u>
Profit for the year		<u><u>480,186</u></u>

BALANCE SHEET

as at 31 December 2012

	Notes	31.12.2012	31.12.2011
Assets			
Cash in hand	12-14	417,627	332,911
Loans to and claims against credit institutions	15-16	22,380	29,910
Loans to customers	17-22	191,891	232,881
Bonds and debt instruments	23-24	7,874	11,842
Shares and instruments with variable income	25-27	28,346	39,897
Derivatives	28-30	20,698	53,776
Investments in subsidiaries	31	137,377	116,347
Other assets	32	31,572	14,868
	Total assets	857,765	832,432
Liabilities			
Outstanding claims	33-35	3,067,062	3,522,838
Other liabilities	36	1,785	862
	Total liabilities	3,068,847	3,523,700
Equity			
Share capital		7,270	7,270
Share premium		136,471	136,471
Accumulated deficit		(2,354,823)	(2,835,009)
	Total equity	(2,211,082)	(2,691,268)
	Total liabilities and equity	857,765	832,432
Other information	37-44		

STATEMENT OF CASH FLOWS

for the year ended 31 December 2012

	Notes	2012	2011
Cash inflow			
Cash in hand - interests received		1,758	3,068
Loans to and claims against credit institutions - principal payments		9,105	22,430
Loans to and claims against credit institutions - interest payments		247	138
Loans to customers - principal payments		41,896	66,044
Loans to customers - interest payments		7,724	9,435
Loans to customers - fee payments		226	505
Bonds and debt instruments - principal payments		771	185
Bonds and debt instruments - interest payments		297	859
Shares and instruments with variable income - realisation of equity stakes		662	3,784
Shares and instruments with variable income - dividend		261	470
Derivatives - net cash inflow		6,951	10,830
Investments in subsidiaries - dividend received		560	475
Other assets - cash received		-	2,378
Other inflow		868	-
		71,326	120,601
Total cash inflow			
Cash outflow			
Restricted cash		-	(9,982)
Loans to customers - principal outflow / RCF		(5,160)	(11,362)
Shares and instruments with variable income - purchase of equity stakes		(23)	(338)
Bonds and debt instruments - new bond		-	(9)
Investments in subsidiaries - capital injection		-	(104)
Other assets - net cash outflow		(1,322)	-
Operating expenses		(8,072)	(6,373)
Other outflow		(916)	(366)
		(15,493)	(28,534)
Total cash outflow			
Net increase in cash in hand		55,833	92,067
FX changes		28,883	9,716
Cash at the beginning of the year		332,911	231,128
Cash at the end of the year	12-14	417,627	332,911

NOTES

General information

Introduction

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

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

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

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

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

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

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

Estimated valuation of Kaupthing's assets and liabilities

2. The information in these financial statements as at 31 December 2012 and 31 December 2011 was prepared by Kaupthing. The presentation in these financial statements have been changed from the previous Statement of Assets. We now present the Income Statement for the year ended 31 December 2012, Balance Sheet as at 31 December 2012 and Statement of Cash Flow for the year ended 31 December 2012. Comparison for the year 2011 has been adjusted accordingly. ~~The figures herein were not audited by an independent auditor and~~ the statements do not include all the information required for full financial statements. The financial information is presented in Icelandic krona (ISK), rounded to the nearest million, unless otherwise stated.

Kaupthing emphasises that the valuation estimates herein is a historic valuation only as at the reporting date. No attempts were made to assess the possible future value of assets, or to estimate likely recovery of creditors' claims. Whilst significant data is included in these statements, readers are cautioned against estimating the likely level of recoveries as material uncertainties exist regarding, inter alia, the level of realisations and eventual level of recognised claims. Further information on valuation methodology for each category on the balance sheet is provided in note 3.

The outstanding claims as at 31 December 2012 and 2011 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 for 22 April 2009 in accordance with Act No. 44/2009. Other liabilities at year end 2012 and 2011 are converted at year end rates 2012 and 2011, respectively. A formal process for creditors to file claims against Kaupthing began on 30 June 2009 and ended on 30 December 2009. The liabilities of Kaupthing are being determined through a formal process administered by the Winding-up Committee. The Winding-up Committee completed its decision on all claims by the Creditors' Meeting on 3 December 2010. However, as many objections were filed, and as a number of the existing and potential liabilities are subject to legal uncertainty, the decisions in question are not final. As a result the liabilities included in these financial statements will be subject to change and the real and accurate amount of liabilities will remain uncertain until all disputes have been settled. The ultimate liabilities determined by the Winding-up Committee or Courts will be different to those reported in these financial statements and the categorisation of claims by priority will change.

The valuation in these financial statements takes into account the estimated impact of set-off when the entity has a legally enforceable right to set-off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The exact impact of disputed set-off could make a material difference to overall creditor recoveries. Information on disputed set-off is provided in note 41.

NOTES

Valuation methodology

3. The valuation methodology for each class is abbreviated below.

Cash in hand

The balance of all cash accounts as at 31 December 2012 is without any discount and including accrued unpaid interest up to 31 December 2012.

Loans to and claims against credit institutions

Loans to and claims against credit institutions are valued at estimated fair value. Estimated credit risk of the counterparty has been taken into account in provisions for losses.

Disputed set-off, which is further discussed in note 41, may significantly affect this asset class.

Loans to customers

Loans to customers are valued at estimated fair value. The methods of assessing the fair value of the loans are based on the principles presented in the August 2010 edition of the International Private Equity and Venture Capital Valuation Guidelines (can be found at www.evca.eu), the official website of European Private Equity & Venture Capital Association ("EVCA"). The fair value derived is an estimate of the hypothetical price at which an orderly transaction would take place between market participants at the reporting date and not the price the Estate could expect to receive in a forced transaction, insolvent liquidation or a distressed sale. However, the hypothetical price takes into account the market conditions as at the reporting date. The methods applied for valuation are the following (in order of importance):

- 1) Valuation of loans that have traded recently is based on the transaction value (i.e. last price). The background to the respective transaction and any substantial price fluctuations (general and abstract) that may have characterised such a trade are taken into consideration;
- 2) Recent offers received for loans or known recent trades of comparable loans;
- 3) The value of the underlying collateral, in particular for asset backed loans, using 3rd party valuations of the collateral where applicable; and
- 4) 3rd party valuations of loans.
- 5) When nothing of the above was available, Kaupthing applied one of the following methods:
 - a) for loans of carrying value, i.e. notional value including accrued interests, exceeding ISK 2 billion, a judgment is made of the value of individual loans applying an appropriate and reasonable valuation multiples or other valuation techniques likely to be used by a prospective purchaser of the loan and for comparable loans, taking into account ranking of the relevant loans in the capital structure, or;
 - b) for loans with carrying value of less than ISK 2 billion a categorisation into good-, medium-, and poor assets based on each account managers judgment and the data at hand. The categories were assigned with the following valuations: "Poor asset" valued at 20% of carrying value, "medium asset" valued at 50% of carrying value, and finally a "good asset" valued at 75% of carrying value. The values assigned reflect the loan market in general by taking into account various loan indices with appropriate discounts for Kaupthing's portfolio due to lack of liquidity and the small-scale size of these exposures. For loans with less than ISK 2 billion carrying value but where information according to valuation method 5 a) has been gathered then valuation according method 5 a) is used.

Bonds and debt instruments

Listed and liquid: The assets in this asset category are valued at estimated fair value based on the quoted closing price on 31 December 2012.

Unlisted and listed illiquid: The assets in this asset category are valued at estimated fair value. The methods of assessing the fair value are based on the principles presented in the August 2010 edition of the International Private Equity and Venture Capital Valuation Guidelines and are similar to the methodology applied to Loans to customers as described above. Illiquidity discount was applied to less liquid positions.

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

Shares and instruments with variable income

Listed and liquid: The assets in this asset category are valued at estimated fair value based on the quoted closing price on 31 December 2012.

Unlisted and listed illiquid: The assets in this asset category are valued at estimated fair value. The methods of assessing the fair value are based on the principles presented in the August 2010 edition of the International Private Equity and Venture Capital Valuation Guidelines and are similar to the methodology applied to Loans to customers as described above. Illiquidity discount was applied to less liquid positions.

NOTES

Valuation methodology, continued

Derivatives

This category contains claims against counterparties in relation to matured or terminated derivative trades. For ISDA counterparties the derivatives and collateral are netted and converted to the termination currency as at the termination date. In general for non-ISDA counterparties each unpaid amount is converted to the likely or agreed settlement currency as at the payment date.

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

Most of the derivatives are not quoted in active markets but in those cases the valuation is based on quoted prices. A market is considered active if quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions on an arm's length basis. For all other derivatives fair value is determined by using valuation techniques. Kaupthing uses widely recognised valuation models for the common and simpler derivatives like options and interest rate and currency swaps. For more complex instruments, Kaupthing uses proprietary models, which usually are developed from recognised valuation models. Some of the inputs into these models may not be directly observable from market data but are commonly derived from market observables, e.g. from market prices or rates.

Default valuation rules under the ISDA framework generally favour the non-defaulting counterparty which may result in adverse effect on the value of the derivatives. Once ISDA derivative contracts have been terminated, the non-defaulting counterparty must determine the net amounts owed by or to the defaulting counterparty. Third party quotes and close-out notices providing details of such calculations enable Kaupthing to reconcile amounts. Some provisions are made to the Kaupthing's valuation of ISDA derivatives to account for potential disputes in valuation. For many non-ISDA counterparties, a significant valuation adjustment is made on derivative assets to account for credit, legal and settlement risk.

Disputed set-off, which is further discussed in note 41, may significantly affect this asset class.

Investments in subsidiaries

Investments in subsidiaries are accounted for by an equity method where value is derived from the subsidiaries net assets as at 31 December 2012 or the most recent financial information available at the date of these financial statements. This valuation does not necessarily reflect the market value.

Other assets

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

Outstanding claims

The outstanding claims as at 31 December 2012 and 2011 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 for 22 April 2009 in accordance with Act No. 44/2009.

Other liabilities

Liabilities relating to the costs of managing the Estate after the commencement of the Resolution Committee in October 2008. Other liabilities at year end 2012 and 2011 are converted at year end rates 2012 and 2011, respectively.

4. Coordinated sectoral classification

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

NOTES

5. Foreign exchange rates

	Balance sheet	
	31.12.2012	31.12.2011
AUD	133.00	125.40
CAD	128.51	120.25
CHF	139.91	130.79
DKK	22.64	21.36
EUR	168.89	158.80
GBP	208.18	190.30
JPY	1.48	1.59
NOK	23.01	20.50
SEK	19.67	17.80
USD	128.09	122.24

Notes to the Income Statement

6. Interest income is specified as follows:

	2012
Cash in hand	1,758
Loans to and claims against credit institutions	504
Loans to customers, interest payments	7,724
Bonds, interest payments	297
Other	24
Interest income	10,307

7. Net financial income and expenses is specified as follows:

	2012
Dividend income	261
Net loss on loans to and claims against credit institutions	(150)
Net loss on loans to customers	(19,238)
Net loss bonds	(5,427)
Net loss shares	(13,682)
Net gain derivatives	3,757
Net loss other assets	(160)
Net financial income and expenses	(34,639)

8. Net foreign exchange gain is specified as follows:

	2012
Cash in hand	28,883
Loans to and claims against credit institutions	1,783
Loans to customers	16,291
Bonds	457
Shares	2,744
Derivatives	947
Subsidiaries	910
Other assets	(11,164)
Other liabilities	(23)
Net foreign exchange gain	40,828

9. Changes in claim registry are specified as follows:

	2012
Claim liabilities at beginning of the year	3,522,838
Claim liabilities at the end of the year	3,067,062
Total	455,776
Estimated set-off changes	(1,251)
Other adjustments and changes	(3,435)
Changes in claim registry	451,090

NOTES

10. Operating expenses are specified as follows:		2012	2011
Salaries		970	896
Salary related expenses		264	193
External advisors		6,492	4,261
Other expenses		920	956
Operating expenses		8,646	6,306
Average number of employees		63	74

11. External advisory expenses are specified as follows:		2012		2011
		Domestic	Foreign	Total
Resolution Committee		-	-	-
Winding-up Committee		269	-	269
Professional service		131	1,838	1,969
Legal services		242	3,134	3,376
VAT		164	714	878
External advisors		806	5,686	6,492
				4,261

Notes to the Balance Sheet

Cash in hand

12. Cash in hand specified by currency and geographical location:		31.12.2012		31.12.2011
		Domestic	Foreign	Total
EUR		9,383	117,586	126,969
SEK		9,185	92,773	101,958
GBP		3,656	73,276	76,932
USD		2,834	48,675	51,509
NOK		6,065	30,823	36,888
ISK		17,071	-	17,071
Other		5,212	1,088	6,300
Cash in hand		53,406	364,221	417,627
Cash in hand in mEUR		316	2,157	2,473

13. Cash in hand specified by restriction and geographical location:		31.12.2012				
Non ISK		Iceland	UK	Sweden	Finland	Total
Unrestricted		158	326,822	174	2	327,156
Restricted after 12.3.2012		6,446	33,782	2,741	700	43,669
Restricted before 12.3.2012		29,731	-	-	-	29,731
Total		36,335	360,604	2,915	702	400,556
ISK		17,071	-	-	-	17,071
Cash in hand		53,406	360,604	2,915	702	417,627
Cash in hand in mEUR		316	2,135	18	4	2,473

Two changes have been made recently on the Foreign Exchange Act, no. 87/1992, with subsequent amendments (the "Act") which have effect on Kaupthing's assets. On 13 March 2012 Act no. 17/2012 came into force, amending the Act. Further amendments to the Act were made on 9 March 2013 when the Parliament of Iceland approved Act no 16/2013. These amendments provide for limitations on the exemptions afforded to Kaupthing in respect of the statutory prohibition against cross-border movement of foreign currency.

Cash deposits in foreign currencies held with foreign financial undertakings or with the Central Bank of Iceland as of end of day 12 March 2012 are not subject to the currency controls, but are subject to notifications to the Central Bank of Iceland.

Cross-border withdrawal by Kaupthing of either cash deposits in foreign currencies from any accounts held at domestic financial institutions, or cash deposits held with foreign financial undertakings or the Central Bank of Iceland after 12 March 2012, are however subject to the currency restrictions. Cross-border withdrawal by Kaupthing of these cash deposits requires a prior approval from the Central Bank of Iceland. The Central Bank of Iceland has an authorisation in the Act to set rules on what conditions need to be fulfilled in order to be able to grant an exemption from such restrictions. These rules have not yet been published. Furthermore, currency controls currently in effect in Iceland do not permit Icelandic assets to be converted into foreign currency or to be transferred outside of Iceland. This could materially affect the value of Kaupthing's Icelandic assets.

NOTES

14. Cash in hand specified by currency and maturity:

	31.12.2012			31.12.2011	
	On demand	Within 1 month	From 1 to 2 months	Total	Total
EUR	120,729	-	6,240	126,969	101,891
SEK	94,122	-	7,836	101,958	80,285
GBP	76,387	-	545	76,932	61,572
USD	49,396	-	2,113	51,509	39,834
NOK	31,731	-	5,157	36,888	30,543
ISK	651	16,420	-	17,071	12,333
Other	1,676	-	4,624	6,300	6,453
Cash in hand	374,692	16,420	26,515	417,627	332,911
Cash in hand in mEUR	2,219	97	157	2,473	2,096

Interests yielded on Cash in hand in 2012 amounted to ISK 1,758 million.

Loans to and claims against credit institutions

Disputed set-off, which is further discussed in note 41, may significantly affect this asset class.

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

	31.12.2012		31.12.2011
	Carrying value	Fair value	Fair value
Restricted cash*	10,911	10,911	9,982
Guarantee accounts	6,646	6,646	5,894
Frozen/emptied bank accounts	5,173	5,173	15,564
Subordinated loans to subsidiaries	35,146	-	-
Other loans	886	634	3,770
Loans to and claims against credit institutions before set-off against counterclaims	58,762	23,364	35,210
Subject to set-off	(984)	(984)	(5,300)
Loans to and claims against credit institutions after set-off	57,778	22,380	29,910
Loans to and claims against credit institutions after set-off in mEUR	342	133	188

*Cross-border withdrawal by Kaupthing of cash deposits in foreign currencies from any accounts held at domestic financial institutions as at 12 March 2012 requires a prior approval from the Central Bank of Iceland.

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

	31.12.2012		31.12.2011
	Carrying value	Fair value	Fair value
Domestic	10,911	10,911	12,921
Foreign	47,851	12,453	22,289
Loans to and claims against credit institutions before set-off against counterclaims	58,762	23,364	35,210
Subject to set-off	(984)	(984)	(5,300)
Loans to and claims against credit institutions after set-off	57,778	22,380	29,910
Loans to and claims against credit institutions after set-off in mEUR	342	133	188

NOTES

Loans to customers

17. Loans to customers specified by portfolios:

	31.12.2012		31.12.2011	
	Carrying value	Fair value	Carrying value	Fair value
Europe	174,276	101,984	186,042	123,128
Nordic	101,407	47,239	113,823	64,218
NOA*	1,012,674	42,668	935,098	45,535
Loans to customers	1,288,357	191,891	1,234,963	232,881
Loans to customers in mEUR	7,628	1,136	7,777	1,467

* Non-operating assets.

18. Loans to customers specified by sectors:

	31.12.2012		31.12.2011	
	Carrying value	Fair value	Carrying value	Fair value
Real Estate	119,748	58,160	110,475	60,844
Holding Company	836,790	38,823	797,805	46,950
Business and Industrial Products	53,110	31,789	66,790	45,702
Consumer Goods and Retail	40,680	31,997	53,510	37,764
Consumer Services: Other	20,316	15,262	23,307	20,240
Individuals	124,383	2,685	101,045	3,682
Other	93,330	13,175	82,031	17,699
Loans to customers	1,288,357	191,891	1,234,963	232,881
Loans to customers in mEUR	7,628	1,136	7,777	1,467

19. Loans to customers specified by geographical location:

	31.12.2012		31.12.2011	
	Carrying value	Fair value	Carrying value	Fair value
UK**	746,554	113,259	677,161	120,335
Scandinavia*	179,627	56,817	315,851	82,817
Other	362,176	21,815	241,951	29,729
Loans to customers	1,288,357	191,891	1,234,963	232,881
Loans to customers in mEUR	7,628	1,136	7,777	1,467

* Scandinavia includes all the Nordic countries

** 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.

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

	31.12.2012	31.12.2011
Real Estate/UK**	17%	13%
Holding Company/UK**	15%	10%
Consumer Goods and Retail/UK**	8%	6%
Consumer Goods and Retail/UK**	6%	5%
Holding Company/Other	6%	5%
Real Estate/Other	6%	6%
Business and Industrial Products/Scandinavia*	5%	3%
Real Estate/Scandinavia*	5%	4%
Consumer Services: Other/UK**	5%	4%
Business and Industrial Products/Scandinavia*	5%	5%
Ten largest loans of total Loans to customers	78%	61%

* Scandinavia includes all the Nordic countries

** 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.

NOTES

21. Loans to customers - portfolios specified by performance:

	31.12.2012							
	Europe		Nordic		NOA		Total	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value	Carrying value*	Fair value
Performing loans	73.4%	98.5%	64.8%	69.5%	0.0%	0.0%	14.8%	69.7%
Loans on view list	0.0%	0.0%	20.7%	27.1%	0.0%	0.0%	1.6%	6.7%
Loans on watch list	26.6%	1.5%	14.5%	3.4%	100.0%	100.0%	83.6%	23.6%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

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

The performance categories are defined as follows:

Performing loans: Loans to entities where cash flow is sufficient to service debt, i.e. interest and principal repayments, and no breaches in agreements are foreseeable in the future.

Loans on view list: Loans to entities where cash flow is sufficient to service debt, i.e. interest and principal repayments, but agreements have been breached or are likely to be breached in the foreseeable future. Some banks include this category within performing loans.

Loans on watch list: Loans to entities where cash flow is insufficient to service debt, i.e. interest and principal repayments and agreements have been breached repeatedly.

22. Loans to customers - portfolios specified by maturity profiles*:

	31.12.2012			
	Carrying value			
	Europe	Nordic	NOA	Total
In default	39,843	18,019	981,382	1,039,244
2013	39,360	33,678	30,928	103,966
2014	17,013	18,838	73	35,924
2015	43,724	3,789	73	47,586
2016	1,122	7,035	73	8,230
2017+	168	20,048	145	20,361
Loans to customers	141,230	101,407	1,012,674	1,255,311
Loans to customers in mEUR	836	601	5,996	7,433

*A call option to acquire the site was put in place between 2-10 Mortimer Street (owned 50% by Kaupthing) and Project Abbey which was exercised on 8 June 2012. The selling price for the property was satisfied by a Promissory Note (PN) issued by Kaupthing to 2-10 Mortimer Street. The Promissory Note is an interest free loan, ranking ahead of equity with maturity on exit, for that reason the loan to 2-10 Mortimer Street is excluded from the maturity profile. The outstanding loan to Project Abbey is also excluded from the maturity profile due to the nature of this asset.

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

Bonds and debt instruments

23. Bond and debt instruments are specified as follows:

	31.12.2012	31.12.2011
Listed	1,649	7,024
Unlisted	6,225	10,194
Bonds and debt instruments before set-off against counterclaims	7,874	17,218
Subject to set-off	-	(5,376)
Bonds and debt instruments after set-off	7,874	11,842
Bonds and debt instruments in mEUR	47	75

NOTES

24. Bonds and debt instruments specified by issuer:	31.12.2012	31.12.2011
Holding Companies	2,939	1,928
Governments	1,649	1,648
Consumer Goods and Retail	1,281	6,012
Financial Services	1,031	1,100
Energy and Environment	974	1,154
Government Agencies	-	5,376
Bonds and debt instruments before set-off against counterclaims	7,874	17,218
Subject to set-off	-	(5,376)
Bonds and debt instruments after set-off	7,874	11,842
Bonds and debt instruments after set-off in mEUR	47	75

Shares and instruments with variable income

25. Shares and instruments with variable income are specified as follows:	31.12.2012	31.12.2011
Listed	4,710	5,228
Unlisted	23,636	34,669
Shares and instruments with variable income	28,346	39,897
Shares and instruments with variable income in mEUR	168	251

26. Shares and instruments with variable income specified by sectors:	31.12.2012	31.12.2011
Consumer Goods and Retail*	7,242	19,718
Financial Services	7,170	6,720
Real Estate	6,286	5,752
Consumer Services: Other	4,164	4,098
Life Sciences	1,874	1,547
Energy and Environment	1,609	2,061
Other	1	1
Shares and instruments with variable income	28,346	39,897
Shares and instruments with variable income in mEUR	168	251

*Consumer goods & retail declined by 12,476m from YE 2011. These are assets where Kaupthing owns the whole capital structure and where less portion of the total asset is in form of shares and as such highly leveraged. Majority of these assets are in Europe where the market has been hit by decreasing consumer confidence and household disposable income. As a result the profitability of companies operating in consumer good & retail has come down.

27. Ten largest positions in Shares and instruments with variable income - sector and geographical location:	31.12.2012	31.12.2011
Financial Services/Other	6,582	6,225
Consumer Goods and Retail/Other	6,170	6,708
Consumer Services: Other/UK**	4,164	4,091
Real Estate/UK**	2,870	2,664
Real Estate/USA	2,297	1,247
Life Sciences/UK**	1,692	1,199
Energy and Environment/Other	1,566	2,016
Consumer Goods and Retail/UK**	916	1,941
Real Estate/UK**	503	1,235
Real Estate/Scandinavia*	411	255
Ten largest positions in Shares and instruments with variable income	27,171	27,581
Shares and instruments with variable income in mEUR	161	174

* Scandinavia includes all the Nordic countries

** UK includes UK overseas territories and Crown dependencies

NOTES

Derivatives

A derivative contract is accounted for as an asset if the carrying value net of collateral of all derivative contracts of the counterparty is in Kaupthing's favour.

Disputed set-off, which is further discussed in note 41, may significantly affect this asset class.

28. Derivatives specified by status:	31.12.2012		31.12.2011
	Carrying value	Fair value	Fair value
Open derivatives	-	-	908
Unpaid derivatives*	72,560	29,351	80,308
Derivatives claims, before set-off against counterclaims	72,560	29,351	81,216
Subject to set-off	(8,744)	(8,653)	(27,440)
Derivatives claims, after set-off	63,816	20,698	53,776
Derivatives claims, after set-off in mEUR	378	123	339

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

29. Derivatives specified by ISDA and non-ISDA counterparties:	31.12.2012		31.12.2011
	Carrying value	Fair value	Fair value
ISDA counterparties			
Derivatives claims, before set-off against counterclaims	28,563	28,046	41,641
Subject to set-off	(8,744)	(8,653)	(23,505)
Derivatives claims, after set-off	19,819	19,393	18,136
Non-ISDA counterparties			
Derivatives claims, before set-off against counterclaims	43,997	1,305	39,575
Subject to set-off	-	-	(3,935)
Derivatives claims, after set-off	43,997	1,305	35,640
Derivatives before set-off	72,560	29,351	81,216
Derivatives after set-off	63,816	20,698	53,776
Derivatives after set-off in mEUR	378	123	339

30. Derivatives specified by geographical location:	31.12.2012		31.12.2011
	Carrying value	Fair value	Fair value
Foreign			
Derivatives claims, before set-off against counterclaims	62,638	28,155	39,154
Subject to set-off	(8,744)	(8,653)	(23,506)
Derivatives claims, after set-off	53,894	19,502	15,648
Domestic			
Derivatives claims, before set-off against counterclaims	9,922	1,196	42,062
Subject to set-off	-	-	(3,934)
Derivatives claims, after set-off	9,922	1,196	38,128
Derivatives before set-off	72,560	29,351	81,216
Derivatives after set-off	63,816	20,698	53,776
Derivatives after set-off in mEUR	378	123	339

NOTES

Investments in subsidiaries

31. Investments in subsidiaries specified by entities and geographical location:	Functional currency	Owner- ship	31.12.2012	31.12.2011
Kaupskil ehf. (Arion Bank), Iceland*	ISK	100.0%	110,596	96,175
Kirna ehf., Iceland	ISK	100.0%	13,370	7,978
Norvestia Oyj, Finland**	EUR	32.7%	7,597	7,087
Kaupthing Holding Isle of Man Ltd, Isle of Man	GBP	100.0%	3,378	2,953
Kaupthing Sverige AB, Sweden	SEK	100.0%	1,374	1,098
Other		100.0%	1,062	1,056
Investments in subsidiaries			137,377	116,347
Investments in subsidiaries in mEUR			813	733

* Kaupskil ehf. owns 87% in Arion Bank on behalf of Kaupthing. Investment in Arion Bank is valued at 87% of shareholders equity which will not necessarily reflect the market value.

**Kaupthings shares in Norvestia Oyj are valued at net asset value in the balance sheet. Kaupthing holds 32.7% of the outstanding shares Norvestia Oyj in listed B-shares and unlisted A-shares and controls 56% of the votes. Listed share price 31.12.2012 is EUR 6.21 and the market value of 32.7% of the shares is equal to ISK 5,259 million.

Other assets

32. Other assets specified by type:	31.12.2012		31.12.2011
	Carrying value	Fair value	Fair value
Accounts receivables	47,575	4,988	4,351
Claims on bankrupt entities	66,615	10,747	11,887
Sundry assets	20,697	20,391	3,249
Other assets before set-off against counterclaims	134,887	36,126	19,487
Subject to set-off	(11,877)	(4,554)	(4,619)
Other assets after set-off	123,010	31,572	14,868
Other assets after set-off in mEUR	728	186	93

Claims and claim process

33. A formal process for the creditors to file claims against Kaupthing began on 30 June 2009 and ended on 30 December 2009. The liabilities of Kaupthing are currently being determined through a formal process administered by the Winding-up Committee. The Winding-up Committee completed its decision on all claims by the Creditors' Meeting on 3 December 2010. 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 Central Bank of Iceland on 22 April 2009. Hence, the liability side has been fixed in ISK as at that date for all relevant claims. In the event there are discrepancies between the liabilities on the balance sheet and the accepted claim by the Winding-up Committee, the determination of the latter prevails.

A total of 28,167 claims were lodged before the deadline at 30 December 2009, amounting to ISK 7,316 billion. However, as at YE 2012, the total amount of claims registered in the list of claims, amounted to ISK 4,345 billion. The list of claims however incorporates all claims lodged against Kaupthing except those claims which have been filed and later withdrawn by creditors and therefore includes claims which have been finally rejected by the Winding-up Committee.

Outstanding claims are specified as follows:	31.12.2012	31.12.2011
Priority claims finally accepted by the Winding-up Committee	796	795
General claims finally accepted by the Winding-up Committee	2,847,316	2,843,703
Disputed claims	327,353	806,869
Kaupthing's own bonds under US MTN 144a programme	(92,318)	(92,318)
Subject to set-off	(16,085)	(36,211)
Outstanding claims	3,067,062	3,522,838
Outstanding claims in mEur	18,160	22,184

NOTES

The claim registry is presented net of finally accepted set-off, comparison for 2011 have been adjusted accordingly.

	2012	2011	Changes
Total Lodged	4,345,162	4,648,842	(303,680)
Total accepted	2,848,112	2,844,498	3,614
Thereof, finally accepted	2,568,938	2,563,530	5,408
Art. 109	7	7	-
Art. 110	203	203	-
Art. 111	-	-	-
Art. 112	586	585	1
Art. 113	2,568,142	2,562,735	5,407
Thereof, accepted Art. 113 but disputed	279,174	280,968	(1,794)
In dispute due to priority	207,177	207,052	125
In dispute due to set-off	71,997	73,916	(1,919)
Amendments under Art. 113			
Kaupthing's own bonds under US MTN 144a programme	(92,318)	(92,318)	-
Subject to set-off*	(16,085)	(36,211)	20,126
Rejected in dispute	327,353	806,869	(479,516)
Art. 109	7,642	23,407	(15,765)
Art. 110	-	55	(55)
Art. 111	5,157	5,157	-
Art. 112	3,336	9,800	(6,464)
Art. 113	311,218	768,450	(457,232)
Total outstanding claims excluding Kaupthing's own bonds under US MTN 144a programme and claims subject to set-off.	3,067,062	3,522,838	(455,776)
Finally rejected	1,169,697	997,475	172,222

*The valuation in these financial statements takes into account the impact of set-off when the entity has a legally enforceable right to set-off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The exact impact of disputed set-off could make a material difference to overall creditor recoveries. Information on disputed set-off is provided in note 41.

In 2012, two claims amounting to the equivalent of ISK 16.4 billion were lodged against Kaupthing under Art. 109. The Winding-up Committee rejected both claims with reference to Art. 118 of the Bankruptcy Act. The deadline for submitting claims was Wednesday 30 December 2009. As these claims were not filed within the aforementioned time limit and do not meet the conditions of Art. 109 they were not added to the Claims Registry and are not included in the claims tables in the Financial Statements and the supplementary material. These claims continue to be in dispute.

Major events post 31 December 2012 which affect the status of claims

On 22 March 2013, the Supreme Court of Iceland pronounced its judgment regarding the dispute on the priority status of the FRB deposit agreements. The Supreme Court upheld the Winding-up Committee's decision and dismissed the appellant's (BNAP S.A.R.L) arguments that the claims should enjoy priority status under Art. 112 of the Bankruptcy Act. The judgment affects disputed claims under the FRB deposit agreements amounting to ISK 195 billion, as the decided claim from BNAP S.A.R.L amounts to ISK 86.5 billion while the other pending FRB cases amount to ISK 108 billion. This judgment should thus lead to considerable reduction in disputed priority claims in the winding-up proceedings. The Winding-up Committee considers the judgment from the Supreme Court to be clear and decisive and that it gives a clear precedent regarding other disputed FRB cases.

Accepted claims under Art. 113 but in dispute due to priority (ISK 207,177m as at 31 December 2012) will as a result of this judgement decrease by ISK 86.5 billion in the table above, Finally Accepted 113 claims (ISK 2,568,142m as at 31 December 2012) will increase accordingly. Further movements as a result of the above judgement is anticipated but is subject to withdrawals of objections from other creditors holding FRB claims or judgements from the Courts in the relevant cases.

On 25 February 2013 The Supreme Court of Iceland gave judgement in case no. 17/2013, Kaupthing hf. against The Bank of Tokyo Mitsubishi UFJ Ltd. ("Bank of Tokyo"). The claim was based on a forward FX swap between Kaupthing and Bank of Tokyo. The maturity date was on 9th October 2008 and Bank of Tokyo sought to have their payment to Kaupthing of USD 50,000,000 returned as a "third party asset" under Article 109 of the Bankruptcy Act as Kaupthing did not pay its leg of the FX forward. In its ruling the Supreme Court found that Kaupthing should have returned the funds in October 2008 and accepted a claim from Bank of Tokyo of USD 47,512,950 under Article 109 of the Bankruptcy Act.

Accepted Art. 109 claims (ISK 7 million as at 31 December 2012) will as a result of this judgement increase by USD 47.5 million or the equivalent of ISK 6.1 billion in the table below.

Post YE 2012, Kaupthing Singer & Friedlander Isle of Man Limited amended their claim under a parental guarantee from ISK 88 billion to ISK 16 billion which was categorised as rejected disputed claim under Art. 113.

Rejected disputed Art. 113 claims (ISK 311,218 million as at 31 December 2012) will as a result decrease by ISK 72 billion in the table below.

NOTES

Adjusted outstanding claims

	Art. 109	Art. 110	Art. 111	Art. 112	Art. 113	Total
Total Lodged	27,749	846	88,931	263,534	3,964,102	4,345,162
Total Adjusted*	18,091	669	16,251	53,222	4,256,929	4,345,162
Accepted	7	203	-	586	2,847,316	2,848,112
Thereof, finally**	7	203	-	586	2,568,142	2,568,938
Thereof, in dispute due to priority****	-	-	-	-	207,177	207,177
Thereof, in dispute due to set-off***	-	-	-	-	71,997	71,997
Rejected*****	18,084	466	16,251	52,636	1,409,613	1,497,050
Thereof, finally	10,442	466	11,094	49,300	1,098,395	1,169,697
Thereof, in dispute	7,642	-	5,157	3,336	311,218	327,353
Adjusted outstanding claims*	7,649	203	5,157	3,922	3,158,534	3,175,465
Kaupthing's own bonds under US MTN 144a programme	-	-	-	-	(92,318)	(92,318)
Subject to set-off*****	-	-	-	-	(16,085)	(16,085)
Adjusted outstanding claims - excluding accepted set-off claims, Kaupthing's own bonds under US MTN 144a programme and claims lodged under Art, 114.	7,649	203	5,157	3,922	3,050,131	3,067,062

* In several cases the Winding-up Committee accepts a claim with different priority than lodged. Adjusted amounts in the table above are based on the Winding-up Committee 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.

** Claims which have been accepted but are still in dispute and objected only by the respective claimant but not other creditors are included as finally accepted claims as the accepted amount in these cases will never be lower than what has been accepted by the Winding-up Committee.

*** Accepted claims in dispute are claims that have been accepted by the Winding-up Committee but those decisions are in dispute due to set-off. The figures illustrate the maximum estimated set-off impact on the amount of accepted claims where there is a dispute as to either: (i) the right of the holders to assert set-off against the unsecured claims or (ii) the amount the holders may set-off against the unsecured claims. There is a possibility of increase in disputed set-off claims as creditors are not excluded from declaring set-off against Kaupthing.

**** In these cases, there are a dispute between the Winding-up Committee and individual creditors regarding priority status of claims. The priority of accepted claim can therefore change, from Art. 113 to Art. 109-112, in accordance with final outcome of that claim. Claims lodged under Art. 109-112 but have been categorised as accepted under Art. 113 (only disputed by the claimant itself) amount to ISK 207 billion.

***** Claims that have been rejected, moved under Art. 114 or where no decision will be taken. With reference to the final sentence of the first paragraph of Article 119 of the Act on Bankruptcy, etc., No. 21/1991, no decisions will be made on subordinate claims.

***** This shows claim amounts subject to set-off, where the right to set-off is not disputed but the set-off has not been finalised.

As shown in the table above, total amount of accepted claims amounted to ISK 2,848 billion, thereof ISK 2,569 billion finally accepted and ISK 279 billion in dispute. Accepted priority and secured claims (Art. 109- Art. 112) amounted to ISK 796 million. Rejected claims amounted to ISK 1,497 billion, thereof ISK 1,170 billion finally rejected. Rejected claims in dispute amounted to ISK 327 billion, thereof ISK 311 billion under Art. 113.

Outstanding priority and secured claims (Art. 109 - Art. 112) amounted to ISK 224 billion. These claims can be broken down into priority and secured claims under Art. 109 -Art. 112 amounting to ISK 17 billion and ISK 207 billion which have been rejected as priority claims but accepted as general claims (Art. 113).

In accordance with Article 119 of the Bankruptcy Act the Winding-up Committee takes decisions on claims with respect to, i.a. validity and appropriateness of information found in submitted statement of claims and taking into consideration the requirements set out in Article 117 of the Bankruptcy Act. In several cases in the past, the Winding-up Committee has altered its previous decisions on claims post settlement meetings or after receiving necessary information from claimants. This can be expected in several instances going forward and may significantly alter the eventual quantum of creditors' claims.

NOTES

Adjusted outstanding claims - excluding accepted set-off claims, Kaupthing's own bonds under US MTN 144a programme and claims lodged under Art. 114

	Art. 109	Art. 110	Art. 111	Art. 112	Art. 113	Total
Guarantees	-	-	-	2,472	107,335	109,807
Derivatives	7,505	-	5,157	-	66,267	78,929
Miscellaneous	1	179	-	-	106,119	106,299
Deposit Agreements	-	-	-	699	296,121	296,820
Deposits	-	-	-	-	-	-
Reimbursements	-	-	-	17	680	697
Loan Agreements	-	-	-	-	421,226	421,226
Invoices	-	21	-	-	1,652	1,673
Contracts	-	-	-	-	47,650	47,650
Damages	143	3	-	2	31,004	31,152
Bonds	-	-	-	-	1,971,258	1,971,258
Interests	-	-	-	732	819	1,551
Total	7,649	203	5,157	3,922	3,050,131	3,067,062

34. Claims recognised by the Winding-up Committee - accepted

The tables below are based on the adjusted amounts (see definition in note 33) and show the total amount of claims that have been accepted by the Winding-up Committee, by type and article. Total amount of accepted claims amounted to ISK 2,848 billion.

Finally accepted claims

* Claims which have been accepted but are still in dispute and objected only by the respective claimant but not other creditors are included as finally accepted claims as the accepted amount in these cases will never be lower than what has been accepted by the Winding-up Committee.

	Accepted (final) under each article					Total
	Art. 109	Art. 110	Art. 111	Art. 112	Art. 113	
Guarantees	-	-	-	-	16,442	16,442
Derivatives	-	-	-	-	30,146	30,146
Miscellaneous	-	179	-	-	68,101	68,280
Deposit Agreements	-	-	-	-	11,976	11,976
Deposits	-	-	-	-	-	-
Reimbursements	-	-	-	17	514	531
Loan Agreements	-	-	-	-	415,492	415,492
Invoices	-	21	-	-	1,642	1,663
Contracts	-	-	-	-	42	42
Damages	7	3	-	-	806	816
Bonds	-	-	-	-	2,022,163	2,022,163
Interests	-	-	-	569	818	1,387
Total finally accepted claims	7	203	-	586	2,568,142	2,568,938
Thereof, Kaupthing's own bonds under US MTN 144a programme						(92,318)
Total finally accepted claims, excluding final set-off and Kaupthing's own bonds under US MTN 144a programme						2,476,620

In several cases the Winding-up Committee accepts a claim with different priority than lodged. Adjusted amounts in the table above 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.

NOTES

Accepted claims in dispute due to priority

Accepted claims in dispute are claims that have been accepted by the Winding-up Committee but those decisions are in dispute due to priority. Total amount of accepted claims in dispute due to priority amounted to ISK 207 billion as laid out below.

	Accepted (in dispute) under each article					Total
	Art. 109	Art. 110	Art. 111	Art. 112	Art. 113	
Guarantees	-	-	-	-	-	-
Derivatives	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Deposit Agreements	-	-	-	-	207,177	207,177
Deposits	-	-	-	-	-	-
Reimbursements	-	-	-	-	-	-
Loan Agreements	-	-	-	-	-	-
Invoices	-	-	-	-	-	-
Contracts	-	-	-	-	-	-
Damages	-	-	-	-	-	-
Bonds	-	-	-	-	-	-
Interests	-	-	-	-	-	-
Total accepted claims in dispute	-	-	-	-	207,177	207,177

In several cases the Winding-up Committee accepts a claim with different priority than lodged. Adjusted amounts in the table above 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.

Accepted claims in dispute due to set-off

Accepted claims in dispute are claims that have been accepted by the Winding-up Committee but those decisions are in dispute due to set-off. The figures below illustrate the maximum estimated set-off impact on the amount of accepted claims where there is a dispute as to either: (i) the right of the holders to assert set-off against the Unsecured Claims or (ii) the amount the holders may set-off against the Unsecured Claims. There is a possibility of increase in disputed set-off Claims as creditors are not excluded from declaring set-off against Kaupthing. Total amount of accepted claims in dispute amounted to ISK 71 billion as laid out below.

	Accepted (in dispute) under each article					Total
	Art. 109	Art. 110	Art. 111	Art. 112	Art. 113	
Guarantees	-	-	-	-	-	-
Derivatives	-	-	-	-	724	724
Miscellaneous	-	-	-	-	-	-
Deposit Agreements	-	-	-	-	39,201	39,201
Deposits	-	-	-	-	-	-
Reimbursements	-	-	-	-	73	73
Loan Agreements	-	-	-	-	9,128	9,128
Invoices	-	-	-	-	10	10
Contracts	-	-	-	-	-	-
Damages	-	-	-	-	19	19
Bonds	-	-	-	-	22,842	22,842
Interests	-	-	-	-	-	-
Total accepted claims in dispute	-	-	-	-	71,997	71,997

NOTES

35. Claims recognised by the Winding-up Committee - rejected

The tables below are based on the adjusted amounts (see definition in note 33) and show the total amount of claims that has been rejected by the Winding-up Committee, by type and article. Total amount of rejected claims amounted to ISK 1,497 billion, thereof ISK 1,170 billion finally rejected and ISK 327 billion in dispute.

Finally rejected claims

The Winding-up Committee's decision is deemed final if the claimant accepts the Winding-up Committee's decision on its claim and the respective claimant or other creditors do not object to that decision. Total amount of finally rejected claims amounted to ISK 1,170 billion as laid out below.

	Rejected under each article					Total
	Art. 109	Art. 110	Art. 111	Art. 112	Art. 113	
Guarantees	378	-	3	36,006	6,395	42,782
Derivatives	1,408	-	3,669	26	7,907	13,010
Miscellaneous	1,580	27	-	12	41,780	43,399
Deposit Agreements	-	-	-	2	643	645
Deposits	1,611	-	-	7,791	35,835	45,237
Reimbursements	-	-	-	674	130	804
Loan Agreements	-	-	7,056	18	11,763	18,837
Invoices	-	343	-	12	860	1,215
Contracts	-	1	-	-	63	64
Damages	136	95	-	531	19,128	19,890
Bonds	5,252	-	319	2,149	973,444	981,165
Interests	75	-	46	2,080	447	2,648
Total finally rejected claims	10,442	466	11,094	49,300	1,098,395	1,169,697

In several cases the Winding-up Committee accepts a claim with different priority than lodged. Adjusted amounts in the table above 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.

Rejected claims in dispute

Rejected claims in dispute, are claims that have been rejected by the Winding-up Committee but that decision has been objected by the respective claimant or a third party. Total amount of rejected claims in dispute amounted to ISK 327 billion as laid out below.

	Rejected under each article					Total
	Art. 109	Art. 110	Art. 111	Art. 112	Art. 113	
Guarantees	-	-	-	2,472	90,893	93,365
Derivatives	7,505	-	5,157	-	35,398	48,061
Miscellaneous	-	-	-	-	38,017	38,017
Deposit Agreements	-	-	-	699	38,500	39,199
Deposits	-	-	-	-	-	-
Reimbursements	-	-	-	-	93	93
Loan Agreements	-	-	-	-	2,528	2,528
Invoices	-	-	-	-	-	-
Contracts	-	-	-	-	47,608	47,608
Damages	137	-	-	2	30,179	30,318
Bonds	-	-	-	-	28,000	28,000
Interests	-	-	-	163	1	164
Total rejected claims in dispute	7,642	-	5,157	3,336	311,218	327,353

In several cases the Winding-up Committee accepts a claim with different priority than lodged. Adjusted amounts in the table above 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.

NOTES

Other liabilities

36. Other liabilities:

	31.12.2012	31.12.2011
Accounts payable	1,320	713
Other	465	149
Other liabilities	1,785	862
Other liabilities in mEUR	11	5

Other Information

37. The assets on the balance sheet at carrying value and fair value after set-off:

	31.12.2012		31.12.2011	
	Carrying value	Provisions	Fair value	Fair value
Cash in hand	417,627	-	417,627	332,911
Loans to and claims against credit institutions	57,778	(35,398)	22,380	29,910
Loans to customers	1,288,357	(1,096,466)	191,891	232,881
Bonds and debt instruments	7,874	-	7,874	11,842
Shares and instruments with variable income	28,346	-	28,346	39,897
Derivatives	63,816	(43,118)	20,698	53,776
Investments in subsidiaries	137,377	-	137,377	116,347
Other assets	123,010	(91,438)	31,572	14,868
Total assets	2,124,185	(1,266,420)	857,765	832,432
Total assets in mEUR	12,577	(7,498)	5,079	5,242

38. The assets on the balance sheet at fair value after set-off specified by operating and non-operating assets:

	31.12.2012		
	Operating assets	Non- operating assets	Total
Cash in hand	417,627	-	417,627
Loans to and claims against credit institutions	-	22,380	22,380
Loans to customers	149,223	42,668	191,891
Bonds and debt instruments	7,874	-	7,874
Shares and instruments with variable income	28,346	-	28,346
Derivatives	-	20,698	20,698
Investments in subsidiaries	118,193	19,184	137,377
Other assets	-	31,572	31,572
Total assets	721,263	136,502	857,765
Total assets in mEUR	4,271	808	5,079

NOTES

39. The assets on the balance sheet at fair value after set-off specified by Icelandic and FX assets:

	31.12.2012				
	ISK assets	FX from Icelandic counterparties	Total ISK assets and FX from Icelandic counterparties	FX from non-Icelandic counterparties	Total assets
Cash in hand	17,071	36,335	53,406	364,221	417,627
Loans to and claims against credit institutions	-	10,911	10,911	11,469	22,380
Loans to customers	661	1,237	1,898	189,993	191,891
Bonds and debt instruments	5,313	-	5,313	2,561	7,874
Shares and instruments with variable income	19	274	293	28,053	28,346
Derivatives	1,196	-	1,196	19,502	20,698
Investments in subsidiaries	110,601	13,370	123,971	13,406	137,377
Other assets	2,554	8,384	10,938	20,634	31,572
Total assets	137,415	70,511	207,926	649,839	857,765
Total assets in mEUR	814	417	1,231	3,848	5,079
% of Total assets			24%	76%	

The table above is based on the registration domicile of the counterparty not the underlying assets.

40. The assets on the balance sheet at fair value after set-off specified by currencies:

	31.12.2012								
	EUR	GBP	NOK	SEK	USD	ISK	DKK	Other	Fair Value
Cash in hand	126,969	76,932	36,888	101,958	51,509	17,071	5,061	1,239	417,627
Loans to and claims against credit institutions	440	1,363	3,626	7,584	462	-	4,367	4,538	22,380
Loans to customers	26,241	127,499	3,079	15,789	14,552	661	1,059	3,011	191,891
Bonds and debt instruments	1,281	1,280	-	-	-	5,313	-	-	7,874
Shares and instruments with variable income	13,025	11,900	359	576	2,361	19	106	-	28,346
Derivatives	15,193	1,984	-	-	2,218	1,196	107	-	20,698
Investments in subsidiaries	8,654	16,748	-	1,374	-	110,601	-	-	137,377
Other assets	24,003	100	15	4,210	679	2,554	11	-	31,572
Total assets	215,806	237,806	43,967	131,491	71,781	137,415	10,711	8,788	857,765
Total assets in mEUR	1,278	1,408	260	779	425	814	63	52	5,079
% of Total assets	25.16%	27.72%	5.13%	15.33%	8.37%	16.02%	1.25%	1.02%	

	31.12.2011								
	EUR	GBP	NOK	SEK	USD	ISK	DKK	Other	Fair Value
Cash in hand	101,891	61,572	30,543	80,285	39,834	12,333	4,179	2,274	332,911
Loans to and claims against credit institutions	4,925	48	3,160	6,730	441	2,938	5,611	6,057	29,910
Loans to customers	34,789	127,468	4,990	25,204	33,448	292	1,757	4,933	232,881
Bonds and debt instruments	1,928	6,012	-	-	-	3,902	-	-	11,842
Shares and instruments with variable income	13,197	24,244	283	586	1,444	18	125	-	39,897
Derivatives	13,599	1,803	-	-	3,054	35,219	80	21	53,776
Investments in subsidiaries	8,139	10,930	-	1,098	-	96,180	-	-	116,347
Other assets	9,861	341	2	4,004	225	435	-	-	14,868
Total assets	188,329	232,418	38,978	117,907	78,446	151,317	11,752	13,285	832,432
Total assets in mEUR	1,186	1,464	245	742	494	953	74	84	5,242
% of Total assets	22.62%	27.92%	4.68%	14.16%	9.42%	18.18%	1.41%	1.60%	

In these financial statements the currency of Kaupthing's investment in non-operating subsidiaries is based on the currency of the underlying assets. Furthermore, the currency of claims on bankrupt entities or entities in winding-up prior to any potential restructuring, which have not started any cash distribution, is based on the original currency of the relevant claim. The same has been done for the past period to facilitate comparison.

NOTES

41. Set-off

The valuation of assets in this report 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, additional effects of disputed set-off on assets at fair value as at 31.12.2012 to be approximately ISK 0-25 billion. The exact set-off effects on the assets and liabilities will differ as a) the assets valued at fair value while claims are not, b) the assets at fair value may considerably change over time which may significantly affect the set-off amount and c) several counterparties who have indicated their intention to set-off may not have filed a claim or filed a claim net of set-off, in these instances potential set-off effects will only impact the assets and not the claims. This set-off analysis is based on number of assumptions including Winding-up Committee's decisions, as at the reporting date, with regards to the validity of the relevant claim and rights to set-off where applicable.

The valuation in these financial statements takes into account the impact of set-off when the entity has a legally enforceable right to set-off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The exact impact of disputed set-off could make a material difference to overall creditor recoveries.

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

42. Taxes

Due to uncertainty regarding utilisation of tax losses, Kaupthing does not recognise deferred tax assets in the balance sheet or recognise the income tax effect of losses in the income statement.

43. Special Purpose Framework

These financial statements have been prepared in accordance with a special purpose framework as principally described in notes 2, 3 and hereunder.

Timing on the realisation of assets

The financial statements are prepared on the basis that the Company will be able to manage the timing of the realisation of its assets. External events could affect the time scale and process for such realisations.

Subsequent events

As set out in Note 2, the valuation estimates herein is a historic valuation only as at the reporting date. As a consequence, no consideration is made of subsequent events in determining the recognition, classification and carrying value of assets and liabilities including outstanding claims. In particular, there is no disclosure of subsequent events post 18 April 2013, the date when the financial statements were initially approved by the Winding-up Committee.

Investment in subsidiaries, joint ventures and associates

Investments in subsidiaries, joint ventures and associates are classified into two subgroups.

- a) Equity investments in subsidiaries, joint ventures and associates arising from the restructuring of loans or held for investment purposes are recorded as Shares and instruments with variable income and recorded at fair value
- b) Equity investments in subsidiaries, joint ventures and associates as set out in Note 31 are recorded in accordance with the equity method

Valuation Methodology

Equities in (a) above, loans to customers and unlisted/illiquid bonds are valued in accordance with internal valuation models built in accordance with EVCA valuation guidelines. In Enterprise Valuation models, historic EBITDA based on latest available management accounts (or audited financial statements when available) together with multiples for undistressed comparable companies are key inputs.

Judgemental discounts of between 5% and 100% are applied to reflect the market conditions as at the reporting date including legal uncertainty, market illiquidity, sizeable equity stakes which are non-controlling, et. al. Where financing and holding company structures exist, no consideration of tax leakage is taken into account.

Derivatives

Amounts due for matured but unsettled derivative contracts are classified as derivatives. Such derivatives are principally agreed in foreign currency amounts but settlement amounts in ISK are subject to disputes.

Interest income

Interest income is recognised when received.

Contingent liabilities and commitments

There is no disclosure of contingent liabilities and commitments in the notes to the financial statements.

NOTES

44. Unaudited information

Only the following account lines of Kaupthing hf's financial statements as at and for the year ended 31 December 2012 have been audited:

- Total assets and related explanatory notes 18 and 20
- Outstanding claims and related explanatory note 33
- Operating expenses

Comparative financial information and non-ISK amounts for these account lines and related explanatory notes are unaudited.

