Glitnir HoldCo ehf.

Financial Statements
for the year ended
31 December 2015

Glitnir HoldCo ehf.
Sóltún 26
105 Reykjavík
Iceland

Reg. no. 550500-3530

Contents

Endorsement by the Board of Directors and the CEO

The Resolution Committee of Glitnir hf. (now Glitnir HoldCo ehf.), formerly Glitnir Bank hf., ("Glitnir" or the "Company") was appointed by the Financial Supervisory Authority of Iceland (FME) on 7 October 2008 in accordance with the authority provided to the FME by Act No.125/2008 on the Authority for Treasury Disbursements due to Unusual Financial Market Circumstances (the emergency law). On this date the Resolution Committee assumed authority of the Board of Directors of Glitnir in accordance with the articles of the Company Law, including supervision of the bank´s assets, as well as handling of all other businesses. On 15 October 2008 a new bank, Íslandsbanki hf., was founded by the authorities and deposits and most of the domestic assets were transferred from Glitnir to Íslandsbanki hf. in accordance with decisions taken by FME. Foreign assets and all liabilities except for domestic deposits remained with Glitnir.

In May 2009 the Icelandic parliament amended the act of Financial Undertakings No. 161/2002 to authorize winding-up proceedings of financial institutions. The Winding-up board of Glitnir assumed all the tasks and responsibilities of the Resolution Committee as of January 2012. The Winding-Up Board´s tasks were, among others, to serve as Glitnir´s Board of Directors and exercise the rights and obligations formerly held by the Board and shareholders' meeting, to administer Glitnir´s authorized activities under the supervision of the FME and the District Court of Reykjavík, to protect and maximize the value of the Company's assets and rights, to ensure that the Company's assets and rights were monetized in the most cost-effective manner and to convene and direct creditors' meetings, as deemed suitable, to present the measures taken by the Winding-Up Board.

Composition agreement, stability contribution and payments to creditors

The Company´s composition proposal, published on 6 November 2015 was agreed by its creditors at a composition meeting held on 20 November 2015. The proposal was confirmed by the District Court of Reykjavík on 7 December 2015 and became final and binding under Icelandic law on 14 December. On 16 December the Central Bank of Iceland (CBI) granted Glitnir exemption to permit the Company to proceed with the implementation of the composition. Glitnir´s cash payment to its creditors following the confirmation was made on 17 and 18 of December. This initial cash distribution was made in various foreign currencies, amounting to the equivalent of ISK 520 billion.

In relation to the composition, Glitnir, its subsidiary, GLB Holding ehf., and the CBI finalized an Assignment Agreement, whereby Glitnir agreed to make a voluntary transfer of its assets to the CBI without consideration, referred to as "the Stability Contribution“. The carrying amount of assets assigned were in the amount of ISK 228 billion. Information regarding the assets assigned is disclosed in note 2.h.

The assignment of assets, as specified in the Stability Contribution agreement, took place in January 2016. However, since the agreement was signed and irrevocable in December 2015 the assets to be transferred were no longer under the control of Glitnir at year end 2015. Furthermore, Glitnir did not bear any risk or reward relating to those assets or their value from the date of the agreement. Therefore, the balance sheet is presented net of those assets and the corresponding stability contribution liability. It is management view that this presentation is appropriate and better reflects the real assets of the Company at the year end than presenting the assets to be assigned and the stability contribution liability gross. The Stability Contribution has been expensed in the income statement.

Operations following composition

After the composition had been fulfilled a new Board of Directors was appointed for Glitnir at the initial shareholders´ meeting, which was held on 29 January 2016 and the Winding-Up Board dissolved. On 23 December 2015 the Company´s name was changed to Glitnir HoldCo ehf. and its legal status from a limited liability company to a private limited liability company. The Company is to continue its operations as an asset management company.

Glitnir HoldCo will have a limited life, as its purpose is to realize the remaining assets and pay all considerations received, net of cash needed for its daily operations, to its noteholders. When all recoverable assets have been realized the Company is to cease operations. Payments to noteholders are to be made at regular intervals.

Endorsement by the Board of Directors and the CEO, contd.:

In January 2016 the Company´s subsidiary, GLB Holding hf., was merged into Glitnir HoldCo. By the time of the merger GLB Holding´s assets mainly consisted of domestic cash, since its principal asset, being an indirect shareholding of 95% in Íslandsbanki through its subsidiary ÍSB Holding ehf., had been transferred without consideration to the CBI as part of the Stability Contribution payments.

On 8 January 2016 the Company issued new notes and shares to its creditors pursuant to the composition. The existing ordinary shares and creditor claims were cancelled, and new articles of association adopted. The notes are directly linked to the Company´s assets according to its provisions. Therefore the payments to be made on the notes will be determined by the cash realized from the Company´s assets. When preparing these financial statements the effect on the Company´s balance sheet resulting from the composition agreement has been taken into account, even though the formal issuance of notes and shares according to the composition agreement was not finalized until 2016. It is the view of the Board of Directors and CEO that this presentation better reflects the economic reality of the Company at year -end 2015.

Glitnir has been granted permission to apply international financial reporting standards (IFRS) as adopted by the EU from the year 2016. Furthermore its functional currency from that time, has been determined to be EUR rather than ISK. The effect of adoption of IFRS on the financial statements is being considered by management.

Operations for the year 2015 and financial position at year-end

The Financial Statements for the year ended 31 December 2015 have been prepared in accordance with the Icelandic Financial Statements Act.

According to the Income Statement, the profit for the year ended 31 December 2015 amounted to ISK 1.316 billion. Profit due to write-off of claims at composition, net of new notes and share capital issued to creditors, amounted to ISK 1,549 billion (see note 4). Expensed Stability Contribution amounted to ISK 228 billion. Total equity as at 31 December 2015 was zero according to the Balance Sheet.

To the extent that the estimated value of assets is based on inputs that are less observable or unobservable in the market, the estimation of value requires more judgement. Accordingly, management has applied judgement in determining the estimate of values for certain assets, notably those relating to loans to customers and unlisted equity instruments.

Share capital and shareholders

As disclosed above new share capital has been recognized in the balance sheet at year-end 2015 even though formal issue of shares took place after the balance sheet date. The number of shares issued was 1,562 million. The shares are denominated in EUR and each share is in the nominal amount of EUR 0.03. Therefore the nominal value of shares issued is EUR 46.9 million. Share capital has been recognized in the financial statements, by applying the applicable EUR/ISK exchange rate, as ISK 6,623 million.

The number of shareholders is 1,424. The ten largest shareholders and their ownership is as follows:

	No. of shares	Ownership
Recovery Opportunities S.A.R.L.	5.299.420	11,3%
Burlington Loan Management Limited	3.865.822	8,2%
Silver Point Luxembourg Platform Sarl	2.775.074	5,9%
QPTF LLC	2.645.877	5,6%
Eignasafn Seðlabanka Íslands ehf	1.860.056	4,0%
North Atlantic Investors S.A.R.L.	1.819.530	3,9%
TCA Opportunity Investments S.A.R.L.	1.687.706	3,6%
Max Participations II S.a.r.l.	1.685.094	3,6%
Halcyon Loan Trading Fund LLC	1.431.891	3,1%
Aristeia European Investments S.A.R.L.	1.277.156	2,7%

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Endorsement by the Board of Directors and the CEO, contd.:

Statement by the Board of Directors and the CEO

The Financial Statements for the year ended 31 December 2015 have been prepared in accordance with the Icelandic Financial Statements Act.

In our opinion the Financial Statements and the Endorsement by the Board of Directors and the CEO give a true and fair view of the development and performance of the Company´s operations during the year ended 31 December 2015 and its financial position at year end and describe the principal risks and uncertainties faced by the Company.

The Board of Directors and the CEO have today discussed the Financial Statements of Glitnir HoldCo ehf. for the year 2015 and confirm them by means of their signatures.

Reykjavík, 29 February 2016.

The Board of Directors

Mike Wheeler

Steen Parsholt

Tom Gröndahl

Chief Executive Officer:

Ingólfur Hauksson

Independent Auditors' Report

To the Board of Directors and Shareholders of Glitnir HoldCo ehf.

We have audited the accompanying financial statements of Glitnir HoldCo ehf., which comprise the statement of financial position as at 31 December 2015, the income statement, and statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

The Board of Directors and CEO's Responsibility for the Financial Statements

The Board of Directors and CEO are responsible for the preparation and fair presentation of these financial statements in accordance with the Icelandic Financial Statements Act No. 3/2006, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors´ Responsibility

Our responsibility is to express an opinion on these financial statements 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 whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Glitnir HoldCo ehf. as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with the Icelandic Financial Statements Act.

Report on Endorsement by the Board of Directors and CEO

Pursuant to the legal requirement under Article 104, Paragraph 2 of the Icelandic Financial Statement Act No. 3/2006, we confirm that, to the best of our knowledge, the report of the Board of Directors accompanying the financial statements includes the information required by the Financial Statement Act if not disclosed elsewhere in the financial statements.

Reykjavík, 29 February 2016.

KPMG ehf.

Sæmundur Valdimarsson
Helgi F Arnarson

Income Statement for the year ended 31 December 2015

	Notes	2015	2014
Interest income	3	7.787	7.230
Net reversal of impairment losses		20.112	44.115
Changes in claims during the year	4	12.254	109.615
Changes in claims due to composition	4	1.536.553	0
Net interest income, net impairment losses and write-offs		1.576.705	160.959
Fee and commission income		257	206
Fee and commission expenses		(2)	0
Net fee and commission income		255	206
Net financial income and expenses	5	(23.754)	10.432
Net operating income		1.553.206	171.597
Administrative expenses	6-8	(7.872)	(7.195)
Profit before taxes		1.545.334	164.403
Stability Contribution...	2	(228.401)	0
Bank tax and Special Financial Tax	21	(1.188)	(20.793)
Profit for the year		1.315.745	143.609

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Balance Sheet as at 31 December 2015

	Notes	2015	2014
Assets			
Cash and cash equivalents	10	77.451	636.959
Restricted cash	11	20.253	0
Claims from derivative contracts		0	5.693
Bonds and debt instruments	12	23.478	59.061
Shares and equity instruments	13	9.152	21.574
Term deposit at Íslandsbanki hf.	14	35.614	0
Loans to customers	15	13.438	24.678
Investments in subsidiaries	16	28.226	205.586
Other assets	17	1.079	6.672
Total assets		208.692	960.223
Liabilities			
Claims	4,19	10.643	2.270.807
Notes	20	187.674	0
Taxes for the year	21	0	8.985
Other liabilities	22	10.375	2.800
Total liabilities		208.692	2.282.591
Equity			
Share capital		6.623	14.881
Accumulated deficit		(6.623)	(1.337.249)
Total equity (negative)	23	0	(1.322.368)
Total liabilities and equity		208.692	960.223

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Statement of Cash Flows for the year ended 31 December 2015

	Notes	2015	2014
Cash inflow			
Loans to customers - principal and interest repayments		7.589	38.470
Loans to banks - principal and interest repayments		0	7
Claims from derivative contracts - repayments		2.849	26.492
Interest income on bank accounts		5.111	4.504
Dividend, equity and bond maturities and coupon receipts		18.896	7.820
Payments from subsidiaries		41.966	35.392
Other inflow		12.675	1.332
Total cash inflow		89.086	114.016
Cash outflow			
New loans to customers		(17)	(393)
Administrative expenses		(8.434)	(7.466)
Payment of claims		(519.503)	(4.637)
Repayment of priority claims		4.010	2.823
Subordinated loan to Íslandsbanki		(19.722)	0
Purchased term deposit at Íslandsbanki		(35.614)	0
Stability Contribution	2	(5.990)	0
Taxes		(11.748)	(11.766)
Restricted cash		(16.414)	0
Other		0	(142)
Total cash outflow		(613.432)	(21.581)
(Decrease) increase in cash and cash equivalents		(524.346)	92.435
Effect of exchage rate fluctuations on cash and cash equivalents		(35.162)	6.403
Cash and cash equivalents at the beginning of the year		636.959	538.121
Cash and cash equivalents at the end of the year	10	77.451	636.959
Non-cash activities			
Non-cash portion of Stability Contribution	2	222.410	0

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Notes

1. Reporting entity

Glitnir Holdco ehf., formerly Glitnir hf. ("Glitnir" or the "Company"), is a company domiciled in Iceland. The address of the Company´s registered office is Sóltún 26, 105 Reykjavík, Iceland.

In December 2015 the Central Bank of Iceland (CBI) granted the Company the final exemption to permit it to proceed with its implementation of a composition agreed by its creditors at a composition meeting held on 20 November 2015. As a fundamental presumption for the composition, Glitnir, its subsidiary, GLB Holding ehf., and the CBI finalized an assignment agreement, whereby Glitnir agreed to make a voluntary transfer of certain assets to the CBI without consideration, referred to as "the Stability Contribution“. On 8 January 2016 the Company issued new notes and shares to its creditors pursuant to the composition. The existing ordinary shares and creditors claims were cancelled and new articles of association adopted. When preparing these financial statements the effect on the Company´s balance sheet resulting from the composition agreement has been taken into account, even though the formal issuance of notes and shares according to the composition agreement were not finalized until 2016. It is the view of the Board of Directors and CEO that this presentation better reflects the economic reality of the Company at year end 2015.

The Company´s name has been changed from Glitnir hf. to Glitnir HoldCo ehf. and its legal status from a limited liability company to a private limited liability company. Glitnir HoldCo will have a limited life, as its purpose is to realize its remaining assets and pay all considerations received to its noteholders, net of cash needed for its daily operations. When all recoverable assets have been realized the Company is to cease operations.

Glitnir HoldCo has been granted permission to apply international financial reporting standards (IFRS) as adopted by the EU from the year 2016. Furthermore its functional currency from that time has been determined to be EUR rather than ISK. The effect of adoption of IFRS on the financial statements has not yet been determined.

2. Basis of preparation

a. Statement of compliance

The financial statements have been prepared in accordance with the Icelandic Financial Statements Act. The financial statements were authorized for issue by the Board of Directors and the CEO on 29 February 2016.

b. Basis of measurement

The financial statements have been prepared on the basis that Glitnir is able to manage the realization of its assets and transact its ongoing business having appropriate regard to the interests of all its creditors. Accordingly, the estimate of value attributed to each asset is dependent on the realization strategy presently adopted for assets, which varies between available for sale, manage to sale, or hold to maturity. As such, the estimated values for certain asset classes represented in the financial statements are not necessarily intended to represent prices at which an orderly transaction could take place between market participants as at the reporting date. Rather, such values are intended to represent the value of assets based on a longer term estimate of recoverable values.

The methodology used to estimate the values of assets within each asset class has been based on the application of Glitnir’s present asset realisation strategy. The methodology does not represent an exhaustive attempt to take into account all factors that Glitnir or other market participants would consider when performing an in-depth valuation exercise. For further information regarding valuation of asset classes see note 2d.

The reported claims as at 31 December 2014 are based on the claim register. Claims in foreign currencies have been translated into ISK at foreign exchange mid rates published by the Icelandic Central Bank for 22 April 2009, which is the lodge date of claims. Other liabilities at year end 2015 and 2014 in currencies other than ISK are translated at year end rates 2015 and 2014, respectively.

Notes, contd.:

2. Basis of preparation, contd.:

c. Basis of presentation

In December 2015 Glitnir signed an agreement with the CBI, as discussed in note 1, whereby the Company agreed to assign a substantial portion of its assets to CBI without consideration. The formal assignment of assets, as specified in the "Stability Contribution Agreement", took place in January 2016. However, since the agreement was signed and irrevocable in December 2015 the assets to be transferred were no longer under the control of Glitnir at year-end 2015. Furthermore, from that time Glitnir did not bear any risk or reward relating to those assets or their value. Therefore, the balance sheet is presented net of those assets and the corresponding Stability Contribution liability. It is management´s view that this presentation is appropriate and better reflects the real assets of the Company as at year end 2015 than presenting the assets to be assigned and the Stability Contribution liability gross. The Stability Contribution has been expensed in the income statement in 2015. New notes and share capital issued to creditors resulting from a composition agreement have been recognized in the balance sheet, even though the formal write-off of old share capital and issuance of new share capital was not finalized until 8 January 2016.

d. Valuation principles

The valuation principles underlying the estimated value for each major asset category are as follows:

Asset class	Valuation methodology
Cash and cash equivalents	The value of cash and cash equivalents is nominal value of deposits and market value of sovereign bonds.
Derivative claims	Estimated realizable value is based on assumed close-out at the earlier of transaction maturity and 22 April 2009. Realizable value includes valuation adjustment for credit, valuation and legal uncertainties.
Bonds and debt instruments	Realisable value is based on directly or indirectly observable valuation inputs.
Shares and equity instruments .	Realisable value for listed equities is based on quoted market price at year end. Realisable value for unlisted equities is based on valuation inputs that are not quoted in markets that are active or for which significant inputs are not directly observable.
Loans to customers	Credit adjusted valuation based on an ‘available for sale’ or ‘hold to maturity’ strategy.
Investments in subsidiaries	The estimated value of the 95% share in Íslandsbanki hf. is based on the equity value of the investments.

e. Functional and presentation currency

The financial statements are presented in Icelandic Krona (ISK), which was the functional currency of Glitnir for the years presented in these financial statements. All amounts are in ISK million unless otherwise stated. Throughout the financial statements, unless otherwise stated, foreign currency values are translated at the mid rates published by the Icelandic Central Bank for 31 December 2015 and 2014, except for claims which have been translated into ISK at foreign exchange selling rates published by the Central Bank for 22 April 2009. A significant proportion of the assets of Glitnir are denominated in foreign currencies. As a result, the estimated values presented herein may be materially impacted by movements in foreign exchange rates. Foreign currency transactions have been translated at the spot exchange rate at the date of transaction.

With the Stability Contribution Glitnir assigned most of its domestic assets to the Central Bank of Iceland (on behalf of the Icelandic Government). The remaining assets of the Company are mostly foreign. The Company´s management has determined that from the year 2016 its functional currency is EUR rather than Icelandic krona. Glitnir has been granted permission to apply international financial reporting standards (IFRS) as adopted by the EU from the year 2016.

2. Basis of preparation, contd.:

f. Use of estimates and judgement

The methodology used to estimate the values of assets within each class has been based on the application of Glitnir´s present asset realization strategy. The assumptions used to estimate the value of assets are sensitive to changes in market conditions such as interest rates, foreign exchange rates, equity prices, market indices and counterparty credit worthiness.

g. Stability contribution

As discussed in notes 1 and 2.c Glitnir has assigned assets to the CBI without consideration. The Stability Contribution, amounting to ISK 228.4 billion, took place after the balance sheet date. However, since the agreement was signed and irrevocable in December 2015 Glitnir had lost control of those assets before year-end 2015 and did not bear any risk or reward related to their value. Therefore to present fairly the true asset and liability position of the Company, the assets yet to be formally assigned at year end and the related Stability Contribution liability are presented net in the balance sheet for the year-ended 2015. The table below specifies the Stability Contribution by balance sheet items:

Assets	Assets and liab. gross	Stability contribution	As presented in the balance sheet
Cash and cash equivalents	83.441	(5.990)	77.451
Restricted cash	20.253	0	20.253
Claims from derivative contracts	1.638	(1.638)	0
Bonds and debt instruments	23.668	(190)	23.478
Shares and equity instruments	20.748	(11.596)	9.152
Term deposit at Íslandsbanki hf.	35.614	0	35.614
Loans to customers	26.431	(12.993)	13.438
Investments in subsidiaries	220.699	(192.473)	28.226
Other assets	2.600	(1.520)	1.079
Total	435.092	(226.401)	208.692

In addition to the ISK 226.4 billion ISK 2.0 billion has been accounted for as a Stability Contribution in the Income Statement and as a liability in the balance sheet, see note 10.

The assets of Glitnir subsidiaries which are valued at ISK 192.5 billion consist of the following assets:

ISB Holding ehf. (95% share in Íslandsbanki)	181.548
Government T-bill and bonds	10.441
Other assets	484
Total subsidiaries	192.473

The value of the assets transferred are based either at market value or equity value. The value of the 95% share in Islandsbanki hf. is based on the equity value of the shares as of 30 September 2015. The book value of ISB Holding ehf. equity as of 31 December 2015 is ISK 188,5 billion. The stability contribution is therefore ISK 235.3 billion based on equity value of ISB Holding ehf. as of 31 December 2015.

3. Interest income

	2015	2014
Cash and cash equivalents	5.111	4.504
Claims from derivative contracts	0	20
Loans to customers	2.675	2.706
Total	7.787	7.230

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4. Claims register

The change in claims register is recorded in the income statement as follows:

	2015	2014
Claim liabilities at the beginning of the year	2.270.807	2.389.735
Estimated netting changes	9.711	16.198
Payment of claims	(519.503)	(1.603)
Final set off	(13.746)	(27.816)
Other adjustments and changes	(14.808)	3.908
Carrying amount of new notes issued (see note 20)	(187.674)	0
New share capital issued (see note 23)	(6.623)	0
Claim liabilities at the end of the year	10.643	(2.270.807)
Total income statement effect	1.548.806	109.615

5. Net financial income and expenses

	2015	2014
Dividend income	9.518	2.513
Net gain on financial assets	4.729	3.181
Net foreign exchange (loss) gain	(38.000)	4.739
Total	(23.754)	10.432

6. Administrative expenses

	2015	2014
Salaries and salary related expenses	388	652
Services from Íslandsbanki hf.	255	275
Domestic legal services	1.198	578
International legal services	1.438	451
Other domestic advisors	868	847
Other international advisors	933	1.426
Other operational cost	944	494
Value added tax	1.849	2.473
Total administrative expenses	7.872	7.195

7. Salaries and salary-related expenses

	2015	2014
Salaries	298	499
Contribution to defined contribution plan	57	97
Other salary-related expenses	34	57
Total salaries and salary-related expenses	388	652
Average number of employees	18	31

In addition three (2014: three) people worked for Glitnir outside of Iceland as contractors.

8. Compensation of the Winding-up Board and CEO

	2015	2014
The CEO	64	46
Winding-up Board	381	190
Total	446	236

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Notes, contd.:

9. Income tax

The Company is subject to income tax in Iceland as a private limited company. To the extent that a composition claim was partially satisfied by issuance of new notes no taxable income arise to the Company when issuing the new note. Nor will the Company incur a tax charge in respect of the partial release of its liability to meet Composition Claims (i.e. amounts which were written off at composition) or as a consequence of the Company partially satisfying composition claims by the issuance of new ordinary shares.

The amount which would otherwise be taxable is the difference between the face value of the claims and the aggregate of (i) the cash payments made at composition (ii) the principal amount of the new notes Issued at composition and (iii) the market value of the new ordinary shares issued at composition.

The effect of a temporary tax relief is that losses which are available for the year 2015, including any losses brought forward from previous years, must first be set off against operating income for the year with the balance applied against the deemed income arising from the write down of claims. The relief means that there is no tax charge in respect of such deemed income if it exceeds the available tax losses.

This had the consequence that all of the brought forward losses are eliminated.

10. Cash and cash equivalents

	2015	2014
Cash and balances with banks in foreign currency	19.210	35.461
ISK cash for operation	5.653	0
Deposits in ISK	45.049	159.975
International treasury bills	0	408.803
Icelandic treasury bills and bonds	7.539	28.170
Restricted cash	0	4.549
Total	77.451	636.959

The ISK cash for operation consists of ISK 5.0 billion cash held by Glitnir for operational expenses for the next two years following the Assignment Agreement between Glitnir and the CBI and ISK 653 million that will be used to pay ISK liabilities as of 31 December 2015. To the extent that the ISK 5.0 billion fund is not used for the Company´s daily operations over the next two years the balance of the amount is to be paid to the CBI as an additional Stability Contribution. The estimated operational cost the next two years in ISK is 3.0 billion. Therefore it is estimated that ultimately ISK 2.0 will be paid to the CBI as a Stability Contribution at the beginning of 2018. That estimated amount has been recognized as a expense in the income statement and as a provision in the balance sheet.

11. Restricted cash

Restricted cash is specified as follows at year-end:	2015	2014
Restricted cash due to indemnity fund	9.610	0
Restricted cash in escrow accounts due to disputed claims at composition	10.643	0
Total restricted cash	20.253	0

a. Indemnity fund

Restricted cash due to the indemnity fund consists of an amount equal to approximately 1 per cent of the Company´s assets as at 30 June 2015. Its purpose is to serve as a deed of indemnity in favor of the Winding-up Board and certain other potential beneficiaries. The indemnity fund will be used if claims are brought against the beneficiaries due to their work for Glitnir and could be restricted for up to ten years. However, if no qualifying claims have been made, threatened or alleged on or before the second anniversary of the date on which the composition was concluded then an amount will be released to Glitnir so as to leave the balance remaining in the indemnity fund equal to 75% of the original balance. If no qualifying claims have been made, threatened or alleged on or before the fourth anniversary of the date on which the composition was concluded, then a further amount will be released to Glitnir so as to leave the balance remaining in the indemnity fund equal to 50% of the original balance.

Although it is impossible currently to estimate how much of the fund will ultimately be paid to the noteholders of the Company, management believes it is prudent to reserve an amount of 25% of the indemnity fund to reflect the prospect that claims might be brought successfully against the Winding-up Board.

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11. Restricted cash, contd.:

b. Disputed claims at composition

Restricted cash due to disputed claims at composition will be paid to the claimants if their claim are accepted by a ruling from the courts. To the extent that any court rulings are in favor of Glitnir the cash will be released from the escrow accounts and subsequently paid to the Company´s noteholders. For further information on disputed claims see note 19.

12. Bonds and debt instruments

	2015	2014
Governments	0	192
Financial institutions	0	22
Subordinated loan issued by Íslandsbanki hf.	19.517	0
Bond claims on subsidiaries	3.961	58.847
Total	23.478	59.061

As part of the composition agreement Glitnir purchased from the Icelandic Government a subordinated loan issued by Íslandsbanki hf. to the Icelandic Treasury in 2008. The subordinated loan is denominated in EUR and bears a floating rate of interest. Its maturity date is 31 December 2019. The loan is subordinated so that in the case of Íslandsbanki´s voluntary or compulsory winding-up, it would not be repaid until after the claims of ordinary creditors have been met. The subordinated loan is in the nominal amount of EUR 138.1 million.

13. Shares and equity instruments

	2015	2014
UK	670	2.687
Iceland	8.482	11.614
Norway	0	7.273
Total	9.152	21.574

14. Term deposit at Íslandsbanki hf.

The term deposit is in the amount of EUR 252.0 million. It bears a floating rate of interest of EURIBOR + 1%. Interest is reset every three months. The deposit date was 15 December 2015. The maturity date is on the second anniversary of the deposit date. According to the deposit agreement neither the deposit nor Glitnir´s rights, title and interest to or in the deposit will be capable of being withdrawn, assigned, transferred or otherwise disposed of by Glitnir, unless otherwise agreed by Íslandsbanki.

Glitnir shall, if and to the extent requested to do so by Íslandsbanki, apply the relevant principal amount of the deposit to subscribe and pay for medium term notes (MTNs) issued by Íslandsbanki on or before the maturity date of the term deposit. The MTNs are to be denominated in EUR and (unless otherwise agreed between Glitnir and Íslandsbanki) with tenors of three to five years from the date of issue. The MTNs are to be issued on the prevailing market terms on the date of issue (including as to pricing) confirmed as such by an internationally-recognized investment bank jointly engaged by Glitnir and Íslandsbanki.

15. Loans to customers

Glitnir´s credit exposure at year end:

	2015		2014	
	Gross amount	Estimated realisable value	Gross amount	Estimated realisable value
Total loans at year end	19.884	13.438	75.854	24.678

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16. Investments in subsidiaries

	Country of incorporation	Ownership interest	Book value 2015	Book value 2014
GLB Holding ehf.	Iceland	100%	27.719	202.201
Glitnir Bank Luxembourg S.A.	Luxembourg	100%	285	0
FL Holding ehf.	Iceland	100%	222	3.385
Investments in subsidiaries total			28.226	205.586

At the beginning of the year 2016 the subsidiary GLB Holding ehf. was merged with Glitnir. The merger of the subsidiary and Glitnir is effective as of 1 January 2016.

Glitnir Bank Luxembourg S.A. is in a voluntary liquidation procedure. The liquidation process is expected to be finalized in 2016.

17. Other assets

	2015	2014
Claims on bankrupt companies	429	2.533
Accounts receivable	379	136
Other assets	271	4.003
Total	1.079	6.672

19. Claims

a. Priority claims

On 16 March 2012 payments were made to priority claimants that had undisputed claims. On that date sufficient cash was placed into escrow accounts to fully pay disputed priority claims. The claims in dispute on 16 March 2012 were ISK 52.9 billion. Amounts that are not paid to priority claimholders when the disputes are resolved are paid back to Glitnir. At year end, the balance of disputed priority claims in escrow accounts is ISK 3.9 billion.

As of 31 December 2015 there are two disputed priority claims unresolved. The claims concern a disputed close-out under an ISDA Master Agreement. The amounts in dispute were reserved for in full in accordance with Article 153 on Bankruptcy No 91/1991.

Currencies in escrow accounts	Balance of disputed claims 31.12.2014	Repaid in 2015	Balance of disputed claims	Total as per rate on 31.12.2015
EUR	2.698	1.194	1.503	1.283
GBP	883	391	492	480
ISK	1.443	639	804	928
NOK	1.226	543	683	492
USD	1.316	583	733	754
Total	7.565	3.350	4.216	3.938

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Notes, contd.:

19. Priority claims, contd.:

Currencies in escrow accounts	Balance of disputed claims 31.12.2013	Repaid in 2014	Balance of disputed claims	Total as per rate on 31.12.2014
EUR	3.836	1.138	2.698	2.478
GBP	1.255	372	883	929
ISK	2.052	609	1.443	1.612
NOK	1.743	517	1.226	1.160
USD	1.871	555	1.316	1.292
Total	10.756	3.191	7.565	7.470

	2015	2014
Priority claims in dispute at 1 January (at the exchange rate of 22 April 2009)	7.565	10.756
Accepted as an unsecured claim	(1.304)	(141)
Claims rejected / withdrawn	(2.046)	(3.050)
Priority claims in dispute at 31 December (at the exchange rate of 22 April 2009)	4.216	7.565

b. Unsecured claims

On 17 and 18 December 2015 payments were made under the composition to unsecured creditors that had undisputed claims. At the same time, sufficient cash was placed into escrow accounts to cover payments for four claims in dispute. The total amount lodged in dispute on 17 December 2015 was ISK 29.4 billion and the amount reserved in year end is ISK 6.7 billion. If Glitnir´s decision to reject the claim is confirmed by the courts or if the claim is accepted for a lower amount than lodged, the amount that has been reserved will be paid to the noteholders.

The disputed claims are with LBI hf. (former Landsbanki Íslands hf.) (ISK 22.5 billion), Lánasjóður sveitarfélaga (LSS) (ISK 4.7 billion), William Grand Prix Engineering Ltd (ISK 2.1 billion) and Orkuveita Reykjavíkur (OR) (ISK 0.1 billion).

In January 2016 the Supreme Court of Iceland ruled in favor of Williams Grand Prix Engineering Ltd. and accepted their claim. The funds in escrow (ISK470 million) was paid to Williams in February 2016.

Currencies in escrow accounts	LBI hf.	Williams	LSS	OR	Total ISK as per rate on 31.12.2015
EUR	1.526	143	322	12	2.003
GBP	873	80	184	5	1.141
NOK	756	69	159	4	988
USD	1.968	179	415	11	2.573
Total	5.123	470	1.080	32	6.705
Nominal value of issued note in EUR	2.235	204	471	13	2.924
Nominal value of issued shares EUR	67	6	14	0	88
					3.011

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20. Notes

On 8 January 2016 the Company issued new notes and shares to its creditors pursuant to the composition. The existing ordinary shares and creditors claims at year-end 2015 were cancelled, and new articles of association adopted. The notes are directly linked to the Company´s assets according to its provisions. Therefore the payments to be made on the notes will be determined by the cash realized from the Company´s assets. As disclosed in note 1 the new share capital and notes issued have been recognized in the balance sheet at year-end 2015 even though formal issue of new notes and shares took place after the balance sheet date.

a. Key terms of the notes and payment to noteholders

The initial aggregate principal amount of the notes on their issue date is EUR 1.586 million. They are zero-coupon and convertible (see b). The final maturity date of the notes is 31 December 2030. In accordance with the provisions of the notes Glitnir is to make quarterly payments on the notes. Payments to noteholders at each quarterly redemption date shall consist of all cash and cash equivalents held by the Company at that date, that its Board of Directors believe is prudent to distribute to the noteholders on that date. Payments to noteholders will reduce the nominal value of the notes. When all the recoverable assets of the Company have been realized and paid to noteholders the balance of the notes will be converted into equity. That is expected to happen well before the final maturity date of notes. The Company will then subsequently be liquidated. In accordance with the Company´s articles of association the notes are stapled to its share capital so one of the instruments (notes or shares) will not be transferred without simulations transfer of the other.

Restricted notes to the nominal value of EUR 20.7 million are held in a specific note custody account due to disputed claims, see note 19.

b. Conversion

On the final maturity date of the notes or the relevant optional redemption date or the conversion date, both specified in the notes contract, Glitnir shall issue redemption shares or conversion shares (as applicable) to the noteholders.

The notes may be repaid by the issue of, and converted into, A-shares at a rate of "P/N", where "P" equals the aggregate outstanding principal amount of the notes being converted an "N" equals the nominal value of one A-share multiplied by 100. Alternatively the notes can be converted into A-shares by a resolution of the holders of the notes, as set out in the notes contract, which resolution cannot be passed any later than the date falling 50 days before the final maturity of the notes.

21. Taxes

a. Joint taxation with Íslandsbanki

Glitnir is subject to General Corporate Income Tax rate of 20%. Net operational loss can be used to offset Corporate Income Tax and therefore Glitnir had during the years 2009 - 2014 no payables relating to General Corporate Income Tax. Ordinarily, parent companies and their subsidiaries can file joint tax returns and such taxable profits in one entity can be offset against taxable losses in another. In December 2010 the Icelandic Parliament approved a legislative amendment in which joint taxation with banks in winding-up process was not permitted. The legislation was retroactive and applied for the year 2010. Other than for the effect of the amended law, Glitnir and Íslandsbanki hf. fulfilled all condition necessary for such joint taxation for the year 2010, which would have saved ISK 6.0 billion in income tax paid for that year (paid by Íslandsbanki). The Directorate of Internal Revenue rejected Glitnir´s application for joint taxation for the year 2010. The ruling was appealed and the case was taken before the District Court of Reykjavík. In May 2015 the District Court ruled in favor of Glitnir. The Icelandic state appealed the District Court ruling to the Supreme Court. It is expected that the case will be heard by the Supreme Court in April 2016. The result of the Supreme Court will not affect the financial position of Glitnir.

21. Taxes, contd.:

b. Special Tax on Financial Institutions

Imposition of Tax on Financial Institutions (Bank tax) for the year 2014 that was paid in 2015 amounted to ISK 8.1 billion. The Company ceased to be subject to this tax once the Composition Proposal was approved in 2015. This means that for 2015 and subsequent years, the Company will have no liability to pay the Bank tax.

c. Special Financial Activity Tax

Imposition of Special Financial Activity Tax (SFAT) for the year 2014 that was paid in 2015 amounted to ISK 2.0 billion. Since the Company is no longer a financial institution in a winding-up proceedings, the Company will no longer be subject to this tax.

22. Other liabilities

	2015	2014
Accounts payable	1.089	2.650
Estimated unpaid Stability Contribution (see note 2 g)	2.000	0
Estimated liability in relation to the Indemnity fund (see note 11 a)	2.402	0
Loan from subsidiary (GLB Holding ehf.)	4.670	0
Other current liabilities	213	150
	10.375	2.800

23. Equity

	Share capital	Accumulated deficit	Total
Equity as at 1 January 2014	14.881	(1.480.858)	(1.465.977)
Profit for the year		143.609	143.609
Equity as at 1 January 2015	14.881	(1.337.249)	(1.322.368)
Share capital written-off	(14.881)	14.881	0
Issued new share capital	6.623		6.623
Profit for the year		1.315.745	1.315.745
Equity as at 31 December 2015	6.623	(6.623)	0

On 8 January 2016 the Company issued new notes and shares to its creditors pursuant to the composition. The existing ordinary shares and creditors claims were cancelled and new articles of association adopted. The number of shares issued were 1,586 million. The shares are denominated in EUR and each share is in the nominal amount of EUR 0.03.Therefore the nominal value of shares issued are EUR 46.9 million. Share capital has been recognized in these financial statements, by applying the applicable EUR/ISK exchange rate, as ISK 6.623 million.
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Even though the formal issuance of new shares according to the composition agreement was not finalized until 2016 the new share capital has been recogniszd in the balance sheet. It is the view of the Board of Directors and CEO that this presentation better reflects the economic reality of the Company at year end 2015.

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24. Breakdown by currencies

The table below summarises Glitnir´s assets by currency of denomination.

At 31 December 2015

	EUR	ISK	NOK	USD	GBP	Other	Total
Cash and cash equivalents	12.710	58.241	1.138	1.254	4.060	48	77.451
Restriced cash ...	12.895	928	1.480	3.327	1.622		20.253
Bonds	23.478						23.478
Shares & equity ..	8.736			416			9.152
Term deposit	35.614						35.614
Loans to customers	4.028		7.352	1.122	937		13.438
Subsidiaries	285	27.941					28.226
Other assets	486				215	379	1.079
Total assets	98.233	87.110	9.970	6.119	6.833	427	208.692
Reclass *	75.400	(75.400)					0
	173.633	11.710	9.970	6.119	6.833	427	208.692
Total in %	83,2%	5,6%	4,8%	2,9%	3,3%	0,2%	100,0%

*In accordance with the provisions of the Stability Contribution agreement and the Company´s composition ISK 75.4 billion is to be converted to Euro in January and February 2016 and then paid to the Company´s creditors. That payment will have the effect specified on the breakdown of currency position of Glitnir.

At 31 December 2014

	EUR	ISK	NOK	USD	GBP	Other	Total
Cash and cash equivalents	213.066	61.341	66.145	158.766	91.146	46.495	636.959
Bonds & shares ..	59.233	11.828	7.273	634	1.667	0	80.635
Loans to customers	4.730	5.084	10.117	927	1.022	2.797	24.678
Investments in subsidiaries	0	202.201	0	0	3.385	0	205.586
Claims from derivative contracts and other assets	1.426	9.129	648	696	467	0	12.366
Total financial assets	278.456	289.583	84.183	161.023	97.687	49.292	960.223
Total in %	29,0%	30,2%	8,8%	16,8%	10,2%	5,1%	100,0%

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Appendix

1. Information on a Group basis

In the following notes selected information is disclosed on a consolidated basis. It is the view of the Board of Directors and CEO that consolidated numbers give better view of the Company´s assets and liabilities.

a. Consolidated and Combined Balance Sheet

The consolidated balance sheet at year-end 2015 and combined balance sheet at year-end 2014 of the Glitnir Group (excluding Íslandsbanki hf.) is specified as follows:

	2015	2014
Assets	**Group**	**Combined**
Cash and cash equivalents	102.042	660.515
Restricted cash	20.253	0
Claims from derivative contracts	0	5.693
Bonds and debt instruments	19.517	10.641
Shares and equity instruments	9.152	31.580
Term deposit at Íslandsbanki hf.	35.614	0
Loans to customers	16.403	66.793
Investments in subsidiaries	0	174.764
Other assets	1.835	12.762
Total assets	204.816	962.748
Liabilities		
Claims	10.643	2.270.807
Notes	187.674	0
Taxes for the year	0	8.998
Other liabilities	6.499	5.311
Total liabilities	204.816	2.285.116
Equity		
Equity	0	(1.322.368)
Total liabilities and equity	204.816	962.748

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Appendix, contd.:

b. Consolidated Statement of Cash Flows

	2015 Group	2014 Combined
Cash inflow		
Loans to customers - principal and interest repayments	30.575	70.456
Loans to banks - principal and interest repayments	0	7
Claims from derivative contracts - repayments	2.849	26.492
Interest income on bank accounts	6.155	5.378
Dividend, equity and bond maturities and coupon receipts	32.347	16.382
Other inflow	15.918	3.035
Total cash inflow	87.844	121.749
Cash outflow		
New loans to customers	(201)	(826)
Administrative expenses	(9.813)	(8.648)
Payment of claims to creditors	(512.798)	(4.637)
Payment of disputed claims into special cash accounts	(6.705)	0
Repayment of priority claims	4.010	2.823
Subordinated loan to Íslandsbanki	(19.517)	0
Purchased term deposit at Íslandsbanki	(35.614)	0
Stability Contribution	(7.332)	0
Taxes	(11.748)	(11.766)
Indemnity fund	(9.708)	0
Other	(940)	(895)
Total cash outflow	(610.368)	(23.949)
(Decrease) increase in cash and cash equivalents	(522.524)	97.800
Effect of exchage rate fluctuations on cash and cash equivalents	(35.948)	5.979
Cash and cash equivalents at the beginning of the year	660.515	556.736
Cash and cash equivalents at the end of the year	102.042	660.515

Cash and equivalents are specified as follows at year-end:

	2015 Group	2014 Combined
Cash and balances with banks in foreign currency	20.989	173.374
ISK cash for operations	5.653	0
Deposit and Icelandic treasury bills in ISK	75.400	70.629
International treasury bills	0	411.963
Restricted cash	0	4.549
Total	102.042	660.515

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Appendix, contd.:

c. Breakdown by currencies

The table below summarises Glitnir´s assets by currency of denomination.

At 31 December 2015

	Group						
	EUR	**ISK**	**NOK**	**USD**	**GBP**	**Other**	**Total**
Cash and cash equivalents	14.074	81.053	1.230	1.254	4.103	328	102.042
Restriced cash ...	12.895	928	1.480	3.327	1.622		20.253
Bonds	19.517						19.517
Shares & equity .	8.736			416			9.152
Term deposit	35.614						35.614
Loans to customers	6.647		7.697	1.122	937		16.403
Other assets	1.060				396	379	1.835
Total assets	98.544	81.981	10.407	6.119	7.058	707	204.816
Reclass*	75.400	(75.400)					0
Total assets at year-end after conversion	173.944	6.581	10.407	6.119	7.058	707	204.816
Total in %	84,9%	3,2%	5,1%	3,0%	3,4%	0,3%	100,0%

*In accordance with provisions of the stability contribution agreement and the Company´s composition ISK 75.4 billion is to be converted to Euro in January and February 2016 and then paid to the Company´s creditors. That payment will have the effect specified on the breakdown of currency position of Glitnir.

At 31 December 2014

	Combined						
	EUR	**ISK**	**NOK**	**USD**	**GBP**	**Other**	**Total**
Cash and cash equivalents	218.071	75.178	66.187	158.777	94.535	47.766	660.515
Bonds & shares .	386	31.804	7.273	634	2.125	0	42.221
Loans to customers	11.479	17.218	25.134	2.438	1.022	9.502	66.793
Investments in subsidiaries	132	174.632	0	0	0	0	174.764
Claims from derivative contracts and other assets	1.519	14.796	786	696	652	7	18.456
Total financial assets	231.587	313.627	99.379	162.546	98.335	57.275	962.748
Total in %	24,1%	32,6%	10,3%	16,9%	10,2%	5,9%	100,0%

d. Loans to customers

Glitnir´s Group credit exposure at year end.

	2015		2014	
	Group		Combined	
	Gross amount	**Estimated realisable value**	**Gross amount**	**Estimated realisable value**
Total loan exposure	25.905	16.403	162.501	66.793

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Appendix, contd.:

e. Reconciliation of movement in assets for the year 2015

Assets	Balance 31.12.2014	Cash movements	Fx movements	Valuation changes	Stability Contribution	Balance 31.12.2015
Cash and cash equivalents	660.515	(515.250)	(35.891)		(7.332)	102.042
Restricted cash	0	20.253				20.253
Claims from derivative contracts	5.693	(2.849)		(1.207)	(1.638)	0
Bonds and debt instruments	10.641	17.807		435	(9.367)	19.517
Shares and equity instruments	31.580	(21.125)	(110)	10.403	(11.596)	9.152
Term deposit at Íslandsbanki hf.	0	35.614				35.614
Loans to customers	66.793	(35.149)	(1.785)	(462)	(12.993)	16.403
Investments in subsidiaries	174.764	(8.869)	(6)	15.659	(181.548)	0
Other assets	12.762	(10.702)	(132)	1.833	(1.927)	1.835
	962.748	(520.269)	(37.924)	26.662	(226.401)	204.816

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