

Glitnir hf.

Statement of Assets and Liabilities

Incorporating an estimate of the value of assets as at 31 December 2011 and a computation of liabilities

27 March 2012

Disclaimer



This document includes a Statement of Assets and Liabilities as at 31 December 2011 (the “Statement”). You should carefully review the financial information and read the Supplementary Notes and Valuation Methodologies included as appendices. The actual realisable value of Glitnir’s assets and the amount of its liabilities may differ materially from the estimated value of assets and computation of liabilities set forth in this presentation. Certain factors that might cause the actual value of Glitnir’s assets and amount of liabilities to differ are set forth in Appendix 2, Supplementary Note 2, Limitations.

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1. Introduction

2. Statement of Assets and Liabilities as at 31 December 2011

3. Notes to the Statement of Assets and Liabilities as at 31 December 2011

Introduction

- The Statement is presented in ISK throughout (with certain supporting analyses also shown in EUR) and, unless otherwise stated, foreign currency values are translated at the mid rates published by the Icelandic Central Bank for 31 December 2011 (as detailed in Appendix 4). A significant proportion of the assets and liabilities of Glitnir are denominated in foreign currencies. As a result, movements in foreign exchange rates may have a material impact on the estimated values presented herein. Comparative balances have not been retranslated from the foreign exchange rates used as at that date. Detail on Glitnir's FX strategy was published on its website on 22 September 2010.
- The Statement is presented on a consolidated basis for the first time this reporting period as it is Glitnir's opinion that this provides a more accurate representation of the financial position following the full repayment of Glitnir's debt to the Central Bank of Luxembourg in November 2011 when Glitnir gained full control of its Luxembourg operations and associated SPVs.
- Glitnir's claim register is denominated in ISK based on foreign exchange rates on 22 April 2009. As a result, the eventual amount of ISK liabilities will be determined by the claims determination process and will not be subject to exchange rate movements. Where the liabilities presented in the Statement have been translated from ISK into EUR, this is for informational purposes only and the foreign exchange rate as at 31 December 2011 was used.
- The notes and appendices included in this presentation form an integral part of the Statement and should be reviewed in conjunction with it, along with the Statements of Assets and Liabilities as at 31 December 2010 and associated notes and appendices.
- Management of Glitnir are solely responsible for the valuation of assets included in the Statement of Assets and Liabilities. KPMG, as Glitnir's external auditor, has audited the valuation of assets included in the Statement of Assets and Liabilities as at 31 December 2011. Based on KPMG's audit, nothing has come to their attention that causes it to believe that the valuation of the assets in the Statement is not, in all material respects, based on the same methods applied in Glitnir's financial statements as at 31 December 2010, as published on Glitnir's website.

1. Introduction

2. Statement of Assets and Liabilities as at 31 December 2011

3. Notes to the Statement of Assets and Liabilities as at 31 December 2011

Statement of Assets and Liabilities - consolidated

Consolidated Balance Sheet



31 December 2011

	Glitnir	GLB Holding	Haf / Holt	Glitnir Lux	Consolidated Adjustments	ISKm Consolidated 31 December 2011	ISKm Consolidated 31 December 2010	EURm Consolidated 31 December 2011	EURm Consolidated 31 December 2010
Assets									
Loans to customers	108,803	-	129,260	73,144	-	311,206	318,973	1,959	2,074
Loans to banks	2,490	-	-	-	-	2,490	3,905	16	25
Derivatives claims	20,313	-	-	-	-	20,313	23,405	128	152
Bonds and debt instruments	5,735	20,263	-	31,508	(23,121)	34,385	35,545	216	231
Shares and equity investments	49,020	1,909	2,421	4,652	92	58,094	50,006	366	325
Investments in subsidiaries	363,004	118,747	-	13	(370,384)	111,379	113,195	701	736
Cash and cash equivalents	333,422	2,572	5,367	4,998	-	346,358	268,726	2,181	1,747
Other assets	190	77	-	1,024	-	1,291	581	8	4
Total assets	882,977	143,568	137,048	115,338	(393,413)	885,517	814,335	5,575	5,295
Liabilities									
Claims	2,680,743	-	-	-	-	2,680,743	2,790,288	16,877	18,142
Other liabilities	652	1,436	137,048	1,105	(137,048)	3,192	804	20	5
Total liabilities	2,681,394	1,436	137,048	1,105	(137,048)	2,683,935	2,791,092	16,897	18,148
Equity	(1,798,418)	142,133	-	114,233	(256,365)	(1,798,418)	(1,976,757)	(11,322)	(12,853)
Total Equity and Liabilities	882,977	143,568	137,048	115,338	(393,413)	885,517	814,335	5,575	5,295

1. There is considerable uncertainty regarding the ultimate realisable value of Glitnir's assets. In order to illustrate this uncertainty, Glitnir has provided an estimated range of likely outcomes for asset realisation. The estimated range of values for 'Total assets' were ISK800bn -ISK950bn (EUR 5bn - EUR 6bn) as at 31 December 2011. Due to the extent of the uncertainty and other factors that may change, the actual outcome may fall outside this range.
2. 'Loans to customers' in the prior year included a loan from Banque Centrale du Luxembourg on ISK65bn. This loan was paid in full in 2011 with cash received from Glitnir's loan portfolio. To provide relevant information, the comparative figures have been adjusted to reflect this.

Statement of Assets and Liabilities

Key trends summary

The logo for Glitnir, featuring the word "GLITNIR" in white capital letters on a red rectangular background. A white wavy line is positioned below the text.

Total assets

- Total consolidated assets have increased by ISK71.2bn from ISK814.3bn as at 31 December 2010 to ISK885.5bn as at 31 December 2011. The key drivers for this were:
 - a positive net impact of ISK24bn due to movements in FX rates, principally the weakening of the ISK against various currencies (USD, EUR, NOK and GBP);
 - an increase in the value of the loan portfolio of ISK27bn;
 - an increase in the value of bonds, debt instruments, shares and equity investments of ISK21bn; and
 - an increase in the value of derivative claims of ISK3bn.
- Total consolidated assets in EUR have increased by EUR280m from EUR 5,295m to EUR5,575m over the period.
- Glitnir's cash balance has increased by ISK77bn from ISK269bn as at 31 December 2010 to ISK346bn as at 31 December 2011. This was driven by principal and interest repayments received from the portfolio of loans to customers.

Total liabilities

- As a result of the Winding-up Board's continuing work on registered claims, certain adjustments have been made to the amount of registered claims recorded initially to arrive at the estimated computation of liabilities shown in the page 6. In the current year, these adjustments resulted in a reduction to total claims of ISK110bn since 31 December 2010 to ISK 2,681bn as at 31 December 2011. Further detail on these adjustments is provided in Note H of this document.
- As the Winding-up Board's work on the claims registration process is continuing, there are certain material claims included in the computation of liabilities in the previous page that the Winding-Up Board does not ultimately expect to be accepted. Accordingly, the ultimate liabilities of Glitnir are likely to be lower than, and creditor ranking may be materially different to, that set-out in the Statement.

Statement of Assets and Liabilities

Reconciliation of Glitnir's Consolidated assets



Reconciliation of movement in assets

ISKm	Balance as at 31.12.2010	Cash movements	FX movements	Changes in valuation	Balance as at 31.12.2011
Assets					
Loans to customers	383,832	(115,302)	15,649	27,027	311,206
Loans to banks	3,905	(406)	(85)	(924)	2,490
Derivatives claims	23,405	(6,471)	52	3,327	20,313
Bonds and debt instruments	35,545	(6,629)	572	4,898	34,385
Shares and equity investments	50,006	(8,822)	885	16,022	58,091
Investment in subsidiaries	113,195	(290)	-	(1,526)	111,379
Cash and cash equivalents	268,726	67,034	10,598	-	346,359
Other assets	581	705	31	(26)	1,291
Loan from BCL	(64,860)	68,073	(3,213)	-	-
Total assets	814,335	(2,108)	24,489	48,798	885,514

- The table above provides an analysis of the key factors which affect the movement in the estimated realisable value of Glitnir's consolidated asset portfolio between 31 December 2010 and 31 December 2011.
- Further detail on each of the reconciling items shown in the table above are provided later in the relevant asset class note in the next section.

Statement of Assets and Liabilities

Foreign currency analysis of Consolidated assets



Foreign Currency Analysis as at 31 December 2011										
ISKm	EUR	ISK	NOK	USD	GBP	CAD	DKK	Other	Total	
Loans to customers	106,076	13,694	74,939	34,689	19,298	16,889	19,833	25,788	311,206	
Loans to banks	-	-	1,601	888	-	-	-	-	2,490	
Derivatives claims	-	19,233	-	1,080	-	-	-	-	20,313	
Bonds and debt instruments	5,052	22,160	-	3,430	3,744	-	-	-	34,385	
Shares and equity investments	4,041	10,116	5,099	2,842	33,189	2,693	15	98	58,094	
Investments in subsidiaries	13	111,367	-	-	-	-	-	-	111,379	
Cash and cash equivalents	130,081	45,810	40,189	81,480	30,266	11,351	4,325	2,855	346,358	
Other assets	1,024	267	-	-	-	-	-	-	1,291	
Total assets	246,287	222,648	121,829	124,409	86,497	30,933	24,173	28,741	885,517	
<i>Percentage of total</i>	<i>27.9%</i>	<i>25.2%</i>	<i>13.8%</i>	<i>14.1%</i>	<i>9.8%</i>	<i>3.5%</i>	<i>2.7%</i>	<i>3.3%</i>	<i>100.0%</i>	
<i>Percentage of total (ISK without ISB)</i>		<i>12.6%</i>								
Total assets as at 31 December 2010	188,663	210,231	115,315	127,258	84,759	29,393	16,571	42,144	814,334	
<i>Percentage of total 31.12.2010</i>	<i>23.2%</i>	<i>25.8%</i>	<i>14.2%</i>	<i>15.6%</i>	<i>10.4%</i>	<i>3.6%</i>	<i>2.0%</i>	<i>5.2%</i>	<i>100.0%</i>	
<i>Percentage of total (ISK without ISB)</i>		<i>12.1%</i>								

- The table above shows the estimated split of Glitnir's consolidated assets by currency as at 31 December 2011.
- The investment in Islandsbanki is assumed to be denominated solely in ISK (although the investment may not ultimately be monetised wholly in ISK). The estimated realisable value arising from Glitnir Luxembourg is denominated in the currencies of its underlying assets and liabilities.
- As previously disclosed, Glitnir's foreign currency strategy is to keep the proceeds of asset monetisation in the currency of the asset pre-monetisation.

1. Introduction

2. Statement of Assets and Liabilities as at 31 December 2011

3. Notes to the Statement of Assets and Liabilities as at 31 December 2011

Asset / liability class analysis

A: Loans to customers – reconciliation



31 December 2011	Glitnir		Glitnir Lux		Haf / Holt		Total	
ISKm	Carrying value	Estimated realisable value	Carrying value	Estimated realisable value	Carrying value	Estimated realisable value	Carrying value	Estimated realisable value
Opening balance	451,108	142,542	120,665	82,716	221,608	158,574	793,380	383,832
Capital repayments	(39,928)	(39,928)	(12,543)	(12,543)	(46,541)	(46,541)	(99,013)	(99,013)
Interest repayments	(9,872)	(9,872)	(648)	(648)	(6,516)	(6,516)	(17,036)	(17,036)
Write off	(25,900)	-	(3,987)	(3,987)	-	-	(29,887)	(3,987)
Equity conversion	(1,512)	(1,512)	-	-	-	-	(1,512)	(1,512)
New loans	1,302	1,302	957	957	-	-	2,259	2,259
Valuation changes	-	10,133	-	3,739	-	17,142	-	31,014
Fx impact	29,837	6,138	6,339	2,910	25,893	6,601	62,068	15,649
Total Loans to Customers	405,035	108,803	110,782	73,144	194,443	129,260	710,259	311,206

- The carrying values in the table above represents the values recorded in Glitnir's accounting records before any credit risk adjustments.

Asset / liability class analysis

A: Loans to customers – industry analysis



31 December 2011	Glitnir			Glitnir Lux			Haf / Holt			Total		
	Carrying value	Estimated realisable value	%	Carrying value	Estimated realisable value	%	Carrying value	Estimated realisable value	%	Carrying value	Estimated realisable value	%
ISKm												
Holding Companies	235,258	4,401	2%	-	-	0%	76,383	32,808	43%	311,641	37,209	12%
Seafood	20,994	15,930	76%	-	-	0%	29,533	26,119	88%	50,527	42,049	83%
Offshore-& Transport service	58,387	54,284	93%	-	-	0%	-	-	0%	58,387	54,284	93%
Manufacturing	30,645	19,520	64%	-	-	0%	20,704	18,537	90%	51,348	38,057	74%
Property & Real Estate	29,355	3,337	11%	102,462	72,556	71%	34,202	26,573	78%	166,018	102,466	62%
Financial Institutions	8,169	2,112	26%	-	-	0%	4,588	4,587	100%	12,757	6,700	53%
Retail	7,930	2,244	28%	8,320	587	7%	13,836	5,580	40%	30,086	8,411	28%
Utilities	370	351	95%	-	-	0%	5,760	5,760	100%	6,130	6,111	100%
Other	13,928	6,623	48%	-	-	0%	9,437	9,296	99%	23,365	15,919	68%
Total Loans to Customers	405,035	108,803	27%	110,782	73,144	66%	194,443	129,260	66%	710,259	311,206	44%

- Whilst loans to holding companies represents the largest element of the portfolio by carrying value (44%), it has the lowest estimated realisable value when compared to carrying value (12%)
- Property & real estate loans represents the largest element of the portfolio by estimated realisable value (33%). The majority of property & real estate loans relate to the Luxembourg property portfolio.

Asset / liability class analysis

A: Loans to customers – geographical analysis



31 December 2011												
ISKm	Glitnir			Glitnir Lux			Haf / Holt			Total		
	Carrying value	Estimated realisable value	%	Carrying value	Estimated realisable value	%	Carrying value	Estimated realisable value	%	Carrying value	Estimated realisable value	%
Iceland	271,007	8,120	3%	5,303	429	8%	121,625	64,780	53%	397,935	73,328	18%
Norway	75,547	61,885	82%	29,464	25,904	88%	-	-	0%	105,011	87,789	84%
United States	10,492	4,472	43%	-	-	0%	5,413	4,337	80%	15,905	8,809	55%
UK	15,044	12,706	84%	10,564	7,883	75%	16,009	10,721	67%	41,617	31,310	75%
Germany	6,785	2,551	38%	35,222	24,302	69%	5,177	4,855	94%	47,183	31,708	67%
Canada	13,556	10,378	77%	-	-	0%	6,593	6,593	100%	20,149	16,970	84%
Luxembourg	4,817	4,817	100%	-	-	0%	88	88	100%	4,905	4,905	100%
Denmark	4,128	1,271	31%	11,534	4,211	37%	1,384	-	0%	17,046	5,482	32%
Sweden	223	187	84%	13,193	7,626	58%	-	-	0%	13,416	7,813	58%
Nederland	833	451	54%	-	-	0%	24,964	24,964	100%	25,797	25,415	99%
Other	2,603	1,965	75%	5,501	2,790	51%	13,190	12,922	98%	21,294	17,677	83%
Total Loans to Customers	405,035	108,803	27%	110,782	73,144	66%	194,443	129,260	66%	710,259	311,206	44%

- Norway represents the most significant element of the loans to customers portfolio by estimated realisable value (28%).

Asset / liability class analysis

A: Loans to customers – currency analysis



31 December 2011												
ISKm	Glitnir			Glitnir Lux			Haf / Holt			Total		
	Carrying value	Estimated realisable value	%	Carrying value	Estimated realisable value	%	Carrying value	Estimated realisable value	%	Carrying value	Estimated realisable value	%
ISK	118,623	4,877	4%	-	-	0%	29,387	8,818	30%	148,010	13,694	9%
EUR	94,062	12,544	13%	41,605	21,830	52%	87,194	71,702	82%	222,861	106,076	48%
NOK	55,879	48,766	87%	27,336	25,904	95%	443	269	61%	83,658	74,939	90%
USD	24,231	13,193	54%	124	9	7%	29,905	21,487	72%	54,260	34,689	64%
GBP	28,103	12,735	45%	-	-	0%	17,433	6,562	38%	45,535	19,298	42%
DKK	29,429	2,605	9%	18,357	17,123	93%	1,495	105	7%	49,281	19,833	40%
SEK	1,991	25	1%	16,764	7,876	47%	513	256	50%	19,268	8,157	42%
CHF	26,625	3,356	13%	3,337	393	12%	13,654	7,537	55%	43,615	11,285	26%
CAD	12,608	9,707	77%	-	-	0%	6,986	6,790	97%	19,594	16,496	84%
JPY	12,635	145	1%	3,259	10	0%	7,434	5,734	77%	23,328	5,889	25%
Other	849	849	100%	-	-	0%	-	-	0%	849	849	100%
Total Loans to Customers	405,035	108,803	27%	110,782	73,144	66%	194,443	129,260	66%	710,259	311,206	44%

- EUR represents the most significant element of the loans to customers portfolio by estimated realisable value (34%).
- In terms of estimated realisable value, the loans to customers portfolio is concentrated in four main currencies, EUR, NOK, USD and GBP. In total, these currencies represent 76% of the loans to customers portfolio by estimated realisable value.

Asset / liability class analysis

B: Loans to banks analysis



ISKm	2011	2010
	Estimated Realisable Value	Estimated Realisable Value
Opening balance	3,905	88,602
Capital repayments	(320)	(72,818)
Interest repayments	(86)	(314)
Valuation changes	(924)	(4,709)
Fx impact	(85)	(6,856)
Total Loans to Banks	2,490	3,905
Loans to Banks		
USD	888	969
NOK	1,601	2,928
EUR	-	6
Other	-	1
Total Loans to Banks	2,490	3,905

- The estimated realisable value of loans to banks is shown after eliminating balances included in derivative claims by international counterparties (representing collateral on derivative transactions under ISDA CSA contracts).

Asset / liability class analysis

C: Derivative claims analysis



	2011	2010
ISKm	Derivative claims - changes in value	Derivative claims - changes in value
Opening balance	23,405	45,407
Cash payments	(5,617)	(6,310)
Equity conversion	(854)	-
Valuation changes	10,003	(10,658)
Fx impact	52	(735)
Changes in netting assumptions	(6,676)	(4,300)
Total derivative claims	20,313	23,405
Total domestic counterparties	18,669	20,977
Total international counterparties	1,644	2,428
Total derivative assets	20,313	23,405

- To date, Glitnir has focussed on the maximisation of recovery value from domestic derivatives.
- As derivatives with domestic counterparties were not undertaken under the ISDA framework, there is no fixed settlement mechanism behind the settlement of the relevant derivative claims. As a result, the settlement process is relatively time consuming as it is considered on a counterparty by counterparty basis.
- In the majority of domestic derivative cases that remain to be settled, Glitnir is already in the process of negotiating with the counterparty or has reached a point where it is clear that the settlement will be disputed before the Icelandic courts.
- International derivatives comprise derivative contracts under the ISDA framework undertaken with 52 counterparties, including one domestic counterparty. The counterparties are split between banks, other financial institutions and seafood companies.

Asset / liability class analysis

D: Bonds and debt instruments analysis



31 December 2011	Glitnir	Glitnir Lux	GLB Holding	Total
ISKm	Estimated realisable value as at 31.12.2011	Estimated realisable value as at 31.12.2011	Estimated realisable value as at 31.12.2011	Estimated realisable value as at 31.12.2011
Opening balance	6,815	11,466	17,263	35,545
Repayments	(1,851)	(4,778)	-	(6,629)
Valuation changes	476	1,247	3,000	4,723
Changes in netting assumptions	175	-	-	175
Fx impact	119	452	-	572
				0
Net bond position	5,735	8,388	20,263	34,385
Bond positions				
Icelandic sovereign	2,796	-	15,055	17,851
Other Icelandic	428	-	3,611	4,039
International	2,511	8,388	1,596	12,495
Net bond position	5,735	8,388	20,263	34,385

- The international bonds in Glitnir Luxembourg SA relates to the bonds that were transferred from the Holm Capital SPV to Glitnir Luxembourg SA.

Asset / liability class analysis

E: Shares and equity investments analysis

	GLB				
	Glitnir	Holding	Haf / Holt	Glitnir Lux	Total
	Estimated realisable value	Estimated realisable value	Estimated realisable value	Estimated realisable value	Estimated realisable value
ISKm	31.12.2011	31.12.2011	31.12.2011	31.12.2011	31.12.2011
Opening balance	45,896	1,895	2,149	60	50,006
Dividend/Buy/Sale	(11,596)	-	-	193	(11,402)
Equity conversion	2,581	-	-	-	2,581
Valuation changes	11,188	14	240	4,498	15,934
Fx impact	951	-	33	(99)	885
Consolidation adjustments		92			92
	49,020	2,001	2,421	4,652	58,094
Equities					
Listed equities	2,054	-	-	-	2,054
Unlisted equities	46,966	2,001	2,421	4,652	56,040
	49,020	2,001	2,421	4,652	58,094
UK	39,109	-	-	91	39,200
Iceland	6,183	2,001	1,933	-	10,116
Norway	539	-	-	4,561	5,099
USA	383	-	489	-	872
Denmark	15	-	-	-	15
Canada	2,693	-	-	-	2,693
Other	-	-	-	-	-
	49,020	2,001	2,421	4,652	58,094

Asset / liability class analysis

F: Investment in subsidiaries analysis



ISKm	Estimated value as at 31.12.2011	Consolidation Adjustments	Consolidated
Glitnir hf.			
Haf/Holt	137,048	(137,048)	-
Glitnir Luxembourg S.A.	91,112	(91,112)	-
GLB Holding	134,844	(134,844)	-
	363,004	(363,004)	-
GLB Holding ehf.			
Íslandsbanki (95%)	117,518	(6,843)	110,675
Steinvirki (100%)	1,229	(538)	692
	118,747	(7,380)	111,367
Glitnir Luxembourg SA			
Reviva Capital SA (51%)	13	-	13
	13	-	13
Total investments in subsidiaries	481,764	(370,384)	111,379

- The estimated value of ISB has been based on a high level analysis of ISB's forecast performance and median trading multiples for ISB's peer group in the Euro area (principally Price to Book Value and Price to Net Income).

Asset / liability class analysis

G: Cash flow analysis



	Q1 2011	Q2 2011	Q3 2011	Q4 2011	01.01.2011- 31.12.2011
ISKm					
Cash inflow:					
Loans to customers portfolio					
Principal loans to customers repayments	9,061	14,188	4,283	12,396	39,928
Interest loans to customers receipts	1,804	2,283	3,237	2,547	9,872
Principal loans to banks repayments	156	26	-	138	320
Interest loans to banks receipts	55	2	-	30	86
Derivatives claims repayments	602	1,145	127	3,742	5,617
Dividend - equity - bonds maturities	3,523	497	1,924	4,432	10,376
Interest income on cash balance	828	1,187	1,076	960	4,050
Other inflow	-	112	-	528	639
Total cash inflows	16,029	19,439	10,647	24,773	70,887
Cash outflow:					
Operational costs	(1,186)	(1,161)	(1,241)	(1,708)	(5,296)
Set off of debts	(325)	-	-	-	(325)
Principal loans to customers - new loan	(1,302)	-	-	-	(1,302)
Total cash outflows	(2,814)	(1,161)	(1,241)	(1,708)	(6,924)
Total cash movement	13,215	18,278	9,406	23,065	63,963
Effect of exchange rate fluctuations	8,564	3,012	(5,577)	4,324	10,322
Opening cash balance	259,136	280,915	302,205	306,034	259,136
Closing cash balance	280,915	302,205	306,034	333,422	333,422

- The adjacent table summarises Glitnir's cash flow for the year to 31 December 2011. The cash flow analysis is for Glitnir hf. only, and therefore does not take into account cash flows arising in Glitnir Luxembourg or GLB Holding.
- The most significant cash inflows related to the repayment of principal and interest from loans to customers. Other cash inflows related to dividends received, sale of shares, derivative repayments and interest income.
- The yield on the total cash balance for 2011 was 1.3%, analysed as 1.8% on deposits and 1.0% on bonds.
- The total positive impact of foreign currency movements on the cash and cash equivalents balances was ISK10.3bn.

Asset / liability class analysis

G: Cash and cash equivalents analysis



31 December 2011 ISKm	Glitnir		Glitnir Lux		GLB Holding		Haf / Holt		Total	
		%		%		%		%		%
Cash balance held with:										
Icelandic bank	28,921	8.7%	725	14.5%	2,572	100.0%	-	-	32,218	9.3%
Skandinavian bank	48,137	14.4%	-	-	-	-	-	-	48,137	13.9%
Skandinavian bank	1,023	0.3%	-	-	-	-	-	-	1,023	0.3%
European bank	-	-	2,543	50.9%	-	-	-	-	2,543	0.7%
Canadian bank	3,261	1.0%	-	-	-	-	-	-	3,261	0.9%
US-based bank	28,815	8.6%	-	-	-	-	-	-	28,815	8.3%
Icelandic Gov bonds	11,642	3.5%	-	-	-	-	-	-	11,642	3.4%
International Gov bonds	140,865	42.2%	-	-	-	-	-	-	140,865	40.7%
International Gov bonds - UBS	69,578	20.9%	-	-	-	-	-	-	69,578	20.1%
Other	1,181	0.4%	1,729	34.6%	-	-	5,367	100.0%	8,277	2.4%
Total	333,422	100%	4,998	100%	2,572	100%	5,367	100%	346,358	100%
Liquid asset deposited in Iceland	40,563	12.2%	725	14.5%	2,572	100.0%	-	-	43,860	12.7%
Liquid asset deposited in other jurisdictions	292,859	87.8%	4,272	85.5%	-	-	5,367	100.0%	302,498	87.3%
	333,422	100.0%	4,998	100.0%	2,572	100.0%	5,367	100.0%	346,358	100.0%
Total deposits	111,338	33.4%	4,998	100.0%	2,572	100.0%	5,367	100.0%	124,274	35.9%
International bonds	210,443	63.1%	-	-	-	-	-	-	210,443	60.8%
Icelandic Gov bonds	11,642	3.5%	-	-	-	-	-	-	11,642	3.4%
	333,422	100.0%	4,998	100.0%	2,572	100.0%	5,367	100.0%	346,358	100.0%

- The aim of Glitnir's cash management strategy is to minimise risk within the portfolio.
- The current liquidity strategy is to hold 10-30% of total cash and cash equivalents deposited in Iceland and 70-90% in other jurisdictions.
- The investment policy is to hold 50-100% of liquid assets in government bonds and bills and 0-50% in cash and term deposits.

Asset / liability class analysis



G: Cash and cash equivalents analysed by currencies and maturity

31 December 2011										
ISKm	Glitnir	%	Glitnir Lux	%	GLB Holding	%	Haf / Holt	%	Total	%
Liquid assets in currencies										
ISK	42,443	12.7%	725	14.5%	2,557	99.4%	85	1.6%	45,810	13.2%
USD	77,446	23.2%	252	5.0%	1	0.0%	3,781	70.5%	81,480	23.5%
GBP	30,186	9.1%	61	1.2%	-	-	19	0.4%	30,266	8.7%
CAD	11,233	3.4%	-	-	-	-	118	2.2%	11,351	3.3%
DKK	4,071	1.2%	252	5.0%	-	-	2	0.0%	4,325	1.2%
NOK	40,043	12.0%	141	2.8%	-	-	6	0.1%	40,189	11.6%
EUR	125,645	37.7%	3,205	64.1%	14	0.5%	1,217	22.7%	130,081	37.6%
Other	2,355	0.7%	361	7.2%	-	-	139	2.6%	2,855	0.8%
Total	333,422	100%	4,998	100%	2,572	100%	5,367	100%	346,358	100%

Liquid assets - Maturity profile				
ISKm				
	Deposits	Bonds	Total	
Maturity:				
0-3 months	90,054	54,992	145,046	42%
3-6 months	22,972	76,616	99,588	29%
6-9 months	10,491	56,183	66,674	19%
9-12 months	-	31,932	31,932	9%
+ 12 Months	757	2,362	3,119	1%
	124,274	222,084	346,358	100%

- The above table sets out the currency analysis of Glitnir's cash and cash equivalents portfolio as at 31 December 2011.
- Glitnir's cash and cash equivalents portfolio is maintained in the same currencies as assets are redeemed.

Asset / liability class analysis

G: Cash and cash equivalents - bond portfolio analysis



Liquid assets - International bonds portfolio				
	31/12/2011		30/06/2011	
ISKm				
USA	50,056	24%	44,555	21%
Germany	28,488	14%	42,034	20%
Norway	29,300	14%	30,741	15%
France	20,486	10%	23,365	11%
Finland	4,866	2%	-	-
Government guaranteed (Managed by UBS)	13,055	6%	22,718	11%
Supranational	1,570	1%	3,515	2%
Gov guaranteed Germany	9,916	5%	13,119	6%
Gov guaranteed Baden Württemberg	1,569	1%	2,919	1%
Gov guaranteed Nordrhein Westphalia	-	-	3,165	2%
Netherland	32,180	15%	15,040	7%
UK	10,872	5%	14,626	7%
Canada	7,912	4%	9,874	5%
Denmark	6,322	3%	3,245	2%
Sweden	3,154	1%	-	-
Austria	1,905	1%	-	-
Other	1,846	1%	1,770	1%
Total international Bonds	210,443	100%	207,968	100%

- The most significant element of Glitnir's consolidated cash and cash equivalents relates to its international government bond portfolio (as analysed in the adjacent table), this includes a portfolio managed by UBS on behalf of Glitnir.
- The international bond portfolio is held within Glitnir hf.
- Glitnir, in conjunction with its investment advisers, carefully monitors the risk within its cash and cash equivalents portfolio, particularly in light of the current sovereign debt concerns.

Asset / liability class analysis

H: Analysis of liabilities

The logo for Glitnir, featuring the word "GLITNIR" in white capital letters on a red rectangular background. A white curved line is positioned below the text, resembling a stylized wave or a swoosh.

- The tables in this section set out an analysis of Glitnir's liabilities presented in the Statement (page 6).
- The first table summaries the claims made against Glitnir and includes the following amounts:
 - Claimed amounts – representing the amounts claimed by Glitnir's creditors and as presented at the first claims registration creditors' meeting on 17 December 2009;
 - Changes to the claims register – since 17 December 2009, certain amendments have been made to the claims register, principally in relation to correction of errors and where claims have been withdrawn;
 - Adjustments – this column includes (1) where claims have been rejected, withdrawn or closed with set-off or settlement; (2) where accepted priority claims have been paid; (3) where there were errors or duplications in the claims registration list; and (4) claims from Glitnir Luxembourg and the two SPVs (Haf and Holt) as Glitnir believes these claims will be withdrawn when the BCL obligation is fully repaid; and
 - Estimated set-off – a high level estimate of the set-off of Glitnir, based upon a review of the claims register.
- The adjustments made above are preliminary estimates only and may be subject to material change in the future. The Winding-up Board's work is continuing on the claims position of Glitnir and further details will be disclosed at the creditors' meeting on 30 May 2012.
- The Winding-up Board's work regarding the claims registration process is continuing. As a result, there are certain material claims included in the liabilities included in the Statement that the Winding-up Board does not expect to be ultimately settled. As a result, the ultimate liabilities of Glitnir are likely to be lower than, and creditor ranking may be materially different to, that set-out in the Statement.

Asset / liability class analysis

H: Analysis of liabilities

ISKm	Article no.	Claimed amounts	Changes to claims registration	Claims registration	Adjustments	Adjusted claimed amounts	Estimated set-off	Estimated liabilities after set-off as at 31.12.2011	Estimated liabilities after set-off as at 31.12.2010
Third party assets	109	33,146	514	33,660	(7,045)	26,615	(2,661)	23,954	21,559
Approval Costs	110	25,316	(4)	25,313	(24,920)	392	-	392	2,575
Secured	111	40,725	(3,398)	37,327	(13,788)	23,539	(10,956)	12,583	26,670
Priority	112	258,129	(101,888)	156,241	(50,312)	105,929	(3,822)	102,106	154,346
Unsecured	113	2,973,195	(92,551)	2,880,644	(318,929)	2,561,715	(55,924)	2,505,790	2,542,487
Deferred	114	105,722	312	106,034	(69,804)	36,230	(313)	35,917	42,652
Total		3,436,233	(197,015)	3,239,218	(484,799)	2,754,419	(73,676)	2,680,743	2,790,288

ISKm	Article no.	Adjusted claimed amounts	Accepted	Rejected, subord. or Withdrawn	Under conciliation
Third party assets	109	33,660	2,657	31,003	25,766
Approval Costs	110	25,313	21	25,291	1,077
Secured	111	37,327	-	37,327	23,539
Priority	112	156,241	52,630	103,610	53,001
Unsecured	113	2,880,644	2,221,433	659,211	2,137,271
Deferred	114	106,034	-	106,034	36,429
Total		3,239,218	2,276,741	962,477	2,277,082

- The table above provides an analysis of claims recorded in the Statement (see page 6).
- The adjacent table sets out an analysis of the Winding-up Board's decisions to date together with an analysis of how many decisions are under conciliation as a result of being objected to.
- The Winding-up Board has made decisions on all claims.

Asset / liability class analysis

I: Operating expenses analysis



ISKm	Actual Jan- Dec 2011	Budget Jan- Dec 2011	Variance to Budget	
Salaries and Salary-related costs	607	561	46	8%
Islandsbanki Service Agreement	360	393	(33)	-9%
External Legal Services	2,105	2,071	34	2%
<i>Domestic</i>	642	895	(253)	-28%
<i>International</i>	1,407	1,176	232	20%
Other External Advisors	1,870	1,655	215	13%
<i>Domestic</i>	473	341	132	39%
<i>International</i>	1,397	1,314	82	6%
Other Expenses	491	401	89	22%
Total Expenses	5,431	5,082	344	7%

- The table above sets out the operating costs of for the 12 months ended 31 December 2011.



Appendices

A wide-angle landscape photograph of a mountain range with colorful, eroded peaks in shades of red, orange, and brown, set against a blue sky with scattered clouds. The foreground is a flat, rocky plain. A solid red horizontal bar is positioned below the image.

Appendix 1: Glossary of terms

Appendix 2: Supplementary notes to financial information

Appendix 3: Valuation methodology

Appendix 4: Foreign exchange rates

Appendix 5: Income statement

Appendix 1

Glossary of terms

The logo for Glitnir, featuring the word "GLITNIR" in white capital letters on a red rectangular background. A white wavy line is positioned below the text.

Act	Act No. 125 / 2008
BCL	Banque centrale du Luxembourg
Carrying value	Asset value as recorded in the accounting records of Glitnir before any credit risk adjustments
CSA	Credit Support Annex
EUR	Euro
FME	The Icelandic Financial Supervisory Authority
Glitnir	Glitnir hf.
Glitnir Luxembourg	Glitnir Luxembourg S.A.
ICC	Informal Creditors' Committee
IRS	Interest rate swap
ISK	Icelandic Krona
Islandsbanki or ISB	Islandsbanki hf.
NA	Not applicable
OTC	Over the counter
Repo	Sale and repurchase agreement
Resolution Committee	The Resolution Committee of Glitnir hf.
TRS	Total return swap
Winding-up Board	The Winding-Up Board at Glitnir hf.

Appendix 2

Supplementary notes to financial information

1. Basis of preparation

- The financial information has been prepared on the basis that Glitnir is able to manage the realisation 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 realisation 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 information are not necessarily intended to represent prices at which an orderly transaction could take place between market participants as at 31 December 2011. Rather, such values are intended to represent the value of assets based on a longer term estimate of recoverable values.
- The reported liabilities as at 31 December 2011 have been based upon the claims received by Glitnir as part of the claims registration process. The process for agreeing claims is ongoing and so the liabilities included in the financial information may not be complete or accurate as a number of the existing and potential liabilities are subject to legal uncertainty. As a result, the liabilities included in the financial information will be subject to change and clarification when the claims registration process is complete. It is likely that the ultimate liabilities determined by the Winding-Up Board or Courts will be less than those reported in the financial information presented here and that the categorisation of liabilities by priority will also change.
- The Act No. 125 / 2008 (the “Act”) provides for claims for ‘deposits’ to have priority when distributing the assets of a bankrupt financial undertaking. It remains to be resolved which liabilities or deposits of Glitnir this provision applies to, and how this Act should be implemented. It is possible that certain deposit creditors of Glitnir will have an entitlement to be paid out in full, and that there will be a corresponding decrease in the assets available to make distributions to other unsecured creditors.

Appendix 2

Supplementary notes to financial information

2. Limitations

Estimated value

- 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.
- The asset realisation strategy and valuation methodology are likely to change over time as Glitnir continues its systematic assessment and categorisation of each asset class and refines its approach to realisation having appropriate regard to the interests of all its creditors.
- The assumptions used to estimate the value of assets are sensitive to changes in market conditions (including interest rates, foreign exchange rates, equity prices, market indices and counterparty credit worthiness) and, as such, the values presented are estimates based on the application of a high-level asset realisation strategy at a point in time.
- The financial information is presented in ISK throughout (with certain supporting analyses in EUR), with asset values translated at the mid rates published by the Icelandic Central Bank for 31 December 2011 (see Appendix 4). A significant proportion of the assets and liabilities of Glitnir are denominated in foreign currencies. As a result, the estimated asset values and the computation of liabilities presented here in ISK may be materially impacted by future movements in foreign exchange rates. Where comparative balances are presented, these have not been retranslated from the foreign exchange rates used as at that date.
- Given the current economic climate, particularly the financial and liquidity crisis, there are limited active markets for many of the financial instruments held by Glitnir. To the extent that the estimated asset values and computation of liabilities are based on inputs that are less observable or unobservable in the market, the estimation of value requires more judgment. Accordingly, the Winding-up Board has applied considerable judgement in determining the estimate of values for certain assets and liabilities, notably those relating to loans to customers, unlisted equity instruments and complex derivative products.

Appendix 2

Supplementary notes to financial information

2. Limitations (continued)

Estimated value (continued)

- An agreement between Glitnir and the Icelandic government was reached regarding the recapitalisation of Islandsbanki. As part of this agreement, Glitnir has taken a 95 percent shareholding in Islandsbanki. In line with values presented in previous Statements of Assets and Liabilities, Glitnir has estimated the value of its shareholding in Islandsbanki based upon the projected performance of Islandsbanki and trading multiples for Islandsbanki's peer group in the Euro area. The ultimate value realised through the shareholding in Islandsbanki could be materially higher or lower than the estimate provided. The value of, timing of and mechanism for realising value from the shareholding remains subject to considerable uncertainty.

Information included in the financial information

- The determination of the ownership of certain assets is not complete and in particular current estimates of Glitnir's collateral will be subject to subsequent legal findings including rights of set-off and other claims. If the ownership of Glitnir's collateral changes as compared to the current understanding, this could have a material impact on the estimate of value of Glitnir's assets and the computation of its liabilities.
- Financial information provided in this document was prepared using Glitnir's records, based on current available data and assumptions, which is subject to confirmation and change. Glitnir may amend, supplement or otherwise change the financial information it has previously provided. Due to the related uncertainties, the actual realisable value of Glitnir's assets and the amount of its liabilities may differ materially from the values set forth in this document.

Appendix 2

Supplementary notes to financial information

3. Balances subject to set-off

- As at 31 December 2011, 30 June 2011, 30 December 2010 and 31 December 2009, Glitnir has presented a Statement of Assets and Liabilities which takes into account the impact of set-off. Where applicable, details of set-off amounts have been provided.
- Balances subject to set-off included in the financial information represent an estimate of the effect of both legal set-off and creditor set-off based on an interpretation of the potential rights of Glitnir and its counterparties. Ultimately, if the rights of Glitnir and its counterparties were to prove different to that assumed in this document, that may have a material impact on the estimated value of Glitnir's assets and the computation of its liabilities.

3.1 Legal set-off

- As part of the development of the realisation strategy, Glitnir is undertaking a review of all default and close-out notices received on a counterparty-by-counterparty basis across all relevant financial instruments.
- Derivatives – given the volume of business undertaken by Glitnir and the complexities involved in reviewing the population of transactions where many have been executed under master agreements and are now part of the default and close-out notice review, a number of assumptions have been made regarding the legal status (including set-off between different legal entities in a group) and value of derivative positions in the financial information.

3.2 Creditor offset

- For assets and liabilities held with the same counterparty Glitnir has used the claims registration database as the known source of liabilities and netted against corresponding identifiable asset positions with the same counterparty.

Appendix 2

Supplementary notes to financial information

5. Valuation principles

- The valuation principles underlying the estimated value for each major asset category are shown below. A detailed description of the methodology for each asset category is shown in Appendix 3.

Asset class	Valuation methodology
Loans to customers	Credit adjusted valuation based on a 'hold to sale' or 'hold to maturity' strategy
Loans to banks	Credit adjusted valuation based on a 'hold to maturity' strategy
Derivative assets / liabilities international counterparties	For ISDA counterparties: Realisable value estimated based on an assumed close-out on 7 October 2008. Realisable value includes valuation adjustment for credit, valuation and legal uncertainties.
Derivative assets / liabilities Icelandic counterparties	For Icelandic counterparties: Realisable value estimated based on an assumed close-out at the earlier of transaction maturity and 22 April 2009. Realisable value includes valuation adjustment for credit, valuation and legal uncertainties.
Bonds and debt instruments	Realisable value based on directly or indirectly observable valuation inputs
Listed equities	Realisable value based on observable valuation inputs
Unlisted equities	Realisable value based on valuation inputs that are not quoted in markets that are active or for which significant inputs are not directly observable

Appendix 3

Valuation methodology

1. Loans to customers and banks

- The estimated values have been derived after consideration of Glitnir's present asset realisation strategy. The measurement methodology is designed on the assumption that the loan portfolio will not be subject to forced market sales in the near-term and loans will be held to maturity or worked out over the relevant timeframe. As such, the estimated values represented in the Statement of Assets and Liabilities are not necessarily intended to represent prices at which an orderly transaction could take place between market participants as at 31 December 2011. Rather, such values are intended to represent the value of assets based on a longer term estimate of recoverable values.
- Within the risk categories the portfolio was subject to a high level review of borrower performance, collateral quality and subordination levels as well as a review of more general information about the economic outlook of each underlying sector. In the absence of specific indicators of a deterioration of value at a borrower level, default and recovery assumptions have been applied consistently.

2. Derivatives

- Derivative assets and liabilities amounts in the Statement of Assets and Liabilities represent net positions after consideration of the effects of set-off and valuation adjustments.
- Given the volume of business undertaken by Glitnir and the complexities involved in reviewing the population of transactions, a number of assumptions have been made regarding the legal status of derivative positions in the Statement of Assets and Liabilities. For the purposes of the Statement of Assets and Liabilities only, the following assumptions have been applied to derive the estimated values:
 - **International counterparties** - for both net derivative assets and liabilities positions with international counterparties, Glitnir has made the assumption that all positions crystallised under default notices during October 2008. Where close-out notices were received on dates other than 7 October 2008 the valuation reflects the use of different close-out dates. Additionally, there are a number of international counterparties which are not covered by ISDA master agreements. It has been assumed that these positions were closed out on 7 October 2008 and, again, the statement does not reflect the valuation differences that may arise from the use of different close-out dates.
 - **Icelandic counterparties** - for both net derivative asset and liabilities positions with Icelandic counterparties Glitnir has made the assumption that the positions remained open (subject to eliminating maturing trades) until 22 April 2009.

Appendix 3

Valuation methodology

2. Derivatives (continued)

Realisable Value

- The determination and complexity of realisable value is driven by the underlying product and the terms of each transaction. A significant proportion of the OTC derivative products have been valued using a series of transparent techniques, including closed-form analytic models.
- Other derivative products, typically the newest and most complex products or those where pricing inputs may not be observable now, require more judgment in the implementation of the valuation techniques applied due to the complexity of the valuation assumptions and the reduced observability of inputs. Accordingly, many of these have been valued using simulation techniques or other recognised modelling approaches.
- A significant valuation adjustment has been applied on a counterparty basis for net derivative asset positions to reflect Glitnir's present estimate of credit, valuation and legal uncertainties with each counterparty and position respectively. This assessment is based on current and historical counterparty performance, information related to the quality of collateral associated with each counterparty and on initial negotiations with counterparties and representative sector bodies with derivative exposures with Glitnir.

3. Bonds

- The estimated value of the bond portfolio assumed to be unencumbered is based primarily on observable market inputs. The values represent an estimate of prices at which an orderly transaction could have been expected to take place between market participants on 31 December 2011 and accordingly has been based on quoted prices or indicative broker quotes.

4. Equities

- The estimated value for the listed equities portfolio assumed to be unencumbered is based primarily on observable market inputs. The value represents an estimate of prices at which an orderly transaction could have been expected to take place between market participants on 31 December 2011 and accordingly has been based on quoted prices or indicative broker quotes.
- The estimated value for the unlisted equities portfolio assumed to be unencumbered is based primarily on unobservable market inputs. Glitnir has estimated values based on the fundamentals of each holding, including the initial transaction price and an underlying analysis of the performance of each issuer. The values also include assumptions as to the liquidity of positions.

Appendix 3

Valuation methodology

5. Investment in subsidiaries

- The estimated value for investment in subsidiaries is based on the estimated value of the underlying net assets held in the subsidiaries. The methodologies employed to estimate the value of the underlying assets and liabilities are the same as those employed for assets and liabilities held directly by Glitnir.

6. Cash and cash equivalents

- The estimated value for cash and cash equivalents is book value.

Appendix 4

Foreign exchange rates



Currency	22 April 2009	31 December 2010	30 June 2011	31 December 2011	Changes from 30 December 2010 to 30 June 2011	Changes from 30 December 2010 to 31 December 2011
EUR	168.76	153.80	165.72	158.84	7.75%	3.28%
USD	130.40	115.05	114.49	122.71	-0.49%	6.66%
GBP	190.62	178.47	183.12	189.43	2.61%	6.14%
CAD	105.16	115.26	118.46	120.21	2.78%	4.29%
DKK	22.656	20.635	22.218	21.367	7.67%	3.55%
NOK	19.258	19.674	21.322	20.403	8.38%	3.71%
SEK	15.284	17.155	18.082	17.791	5.40%	3.71%
CHF	111.68	122.91	137.21	130.66	11.63%	6.31%
JPY	1.3319	1.4143	1.4240	1.5853	0.69%	12.09%

- All rates quoted above are the Central Bank of Iceland mid rates at the given dates.

Appendix 5

Income Statement for the year ended 31 December 2011

ISKm	01.01.2011 - 31.12.2011	01.01.2010 - 31.12.2010
Interest income	61,786	105,465
Interest expenses	-	(6)
Net interest income	61,786	105,459
Valuation adjustments and provisions	97,040	(108,110)
Net financial income and expenses	24,471	(91,463)
Net interest income less impairment losses and write-offs	183,298	(94,114)
Net fee and commission income	473	766
Administrative expenses	(5,431)	(4,570)
Profit (loss) for the period	178,340	(97,917)