Glitnir banki hf.

Statement of Assets and Liabilities

Incorporating an estimate of the value of assets as at 31 December 2009 and a computation of liabilities

31 March 2010

Disclaimer

This document includes a Statement of Assets and Liabilities as at 31 December 2009 (the "Statement"). You should review carefully 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.

Under the terms of the Moratorium on creditor proceedings granted to Glitnir on 24 November 2008, as extended on 19 February 2009 and 19 November 2009, no legal claim may be brought against the Bank until the end of the Moratorium. As a consequence of this and other factors, there may be potential claims of which the Resolution Committee is unaware. Due to the absence of any reliable information relating to these, no estimate of the resulting liability and associated cost has been incorporated in the Statement of Assets and Liabilities.

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Introduction

- The Statement of Assets and Liabilities is presented in EUR throughout and, unless otherwise stated, foreign currency values are translated at the mid rates published by the Icelandic Central Bank for 31 December 2009 (as detailed in Appendix 6). A significant proportion of the assets and liabilities 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. Comparative balances as at 30 June 2009 and 31 December 2008 have not been retranslated from the foreign exchange rates used as at these dates.

- Glitnir's liabilities have been translated into ISK at the foreign exchange rate for 22 April 2009. The liabilities presented in the Statement of Assets and Liabilities have been translated from ISK into Euro using the foreign exchange rate for 31 December 2009.

- The notes and appendices included in this presentation form an integral part of the Statement of Assets and Liabilities and should be reviewed in conjunction with it along with the Statements of Assets and Liabilities and associated notes as at 30 June 2009 and 31 December 2008.

Statement of Assets and Liabilities

EURm	Notes	Estimated value of assets and computation of liabilities as at 31.12.2009	30.06.2009	31.12.2008	Movement 30.06.2009 - 31.12.2009
Assets					
Loans to customers	A	1,097	1,080	1,163	*1.6%*
Loans to banks	B	493	649	664	*-24.1%*
Derivatives	C	252	358	426	*-29.5%*
Bonds and debt instruments	D	59	108	113	*-44.9%*
Shares and equity investments	E	251	198	127	*26.9%*
Investment in subsidiaries[1]	F	1,609	1,218	3,135	*32.1%*
Cash and balances with central banks	G	730	422	155	*73.0%*
Other assets		-	-	149	*n/a*
Total assets [2]		4,491	4,033	5,932	*11.4%*
Liabilities					
Debt issued and other borrowed funds		(12,990)	n/a [3]	n/a [3]	*n/a*
Deposits from customers		(359)			*n/a*
Derivatives		(1,190)			*n/a*
Off balance sheet items		(871)			*n/a*
Other liabilities		(110)			*n/a*
Subordinated loans		(1,008)			*n/a*
	H	(16,527)	(14,478)	(14,221)	*14.1%*

1. Included within the investment in subsidiaries balance is the estimated realisable value for all of Glitnir's subsidiaries, including Islandsbanki. The estimated realisable value for Islandsbanki was shown separately in previous Statements of Assets and Liabilities.
2. As noted in Supplementary Note 2, Limitations, there is considerable uncertainty regarding the ultimate realisable value of the Bank's assets. In order to illustrate this uncertainty, the Resolution Committee has made an estimate of the range of likely outcomes for asset realisation of 'Total assets' being EUR3.5bn to EUR5bn. Due to the extent of the uncertainty and other factors that may change, the actual outcome may fall materially outside this range.
3. The source of the liabilities has changed to claims received by the Bank as part of the claims registration process, as opposed to the Bank's own accounting records as previously used. As a result, comparative results for 31 December 2008 and 30 June 2009 have certain limitations and are not meaningful other than in aggregate.

Statement of Assets and Liabilities

Key trends summary

Total assets

- Total assets have increased by EUR458m from EUR4,033m as at 30 June 2009 to EUR4,491m as at 31 December 2009. The key drivers for this were:
  - an upward revaluation in the loans to customers portfolio. The Resolution Committee estimates the impact of this upward revaluation to be approximately EUR134m. In addition, the Resolution Committee estimates a EUR31m positive FX variance in the loans to customer portfolio; and
  - an increase in the potential value remaining for creditors from the Glitnir Luxembourg subsidiary, as a result of an increase in the value of the underlying SPV portfolio assets. The impact of this during the period was approximately EUR255m.

Total liabilities

- The source of the liabilities has changed to claims received by the Bank as part of the claims registration process, as opposed to the Bank's own accounting records as previously used.
- As a result, Glitnir's total liabilities recorded in the Statement of Assets and Liabilities have increased by EUR2,049m from EUR14,478m as at 30 June 2009 to EUR16,527m as at 31 December 2009.

Total liabilities (continued)

- 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 set-forth in the financial information as at 31 December 2009 that the Winding-Up Board does not expect to be ultimately accepted. Accordingly, the ultimate liabilities of the Bank are likely to be lower than, and creditor ranking may be materially different to, that set-out in the Statement of Assets and Liabilities.

Other key trends

- Glitnir's cash balance has increased by EUR308m from EUR422m as at 30 June 2009 to EUR730m as at 31 December 2009. This was driven by principal and interest repayments received from the loan portfolios, most significantly a EUR200m repayment from a former subsidiary in Norway.

Statement of Assets and Liabilities

Key changes in valuation methodology and presentation

Asset presentation and netting

- Glitnir has changed its presentation of asset balances in the Statement of Assets and Liabilities presented here. Only the 'Estimated value of assets' is shown in the Statement of Assets and Liabilities with the carrying value and accompanying netting presented in the notes.

Shareholding in ISB

- The estimated value of ISB has been based upon a high level analysis of ISB's draft performance for 2009 (and its resulting financial position as at 31 December 2009) and median trading multiples for ISB's peer group in the Euro area (principally Price to Book Value and Price to Net Income), adjusted for a downward prudence margin.

Liabilities

- The source of the liabilities has changed to claims received by the Bank as part of the claims registration process, as opposed to the Bank's own accounting records as previously used. As a result, comparative results for 31 December 2008 and 30 June 2009 have certain limitations and are not meaningful other than in aggregate.
- In order to illustrate Glitnir's potential liabilities, the Bank has made certain adjustments to the claims received as part of the claims registration process. These are explained in more detail in the liabilities section of this presentation but include adjustments for withdrawn claims, errors or duplications and claims from Glitnir Luxembourg and the Haf and Holt SPVs.

Asset / liability class analysis

A: Loans to customers – carrying value reconciliation

EURm		31.12.2009		30.06.2009
Carrying value		**5,367**		**6,093**
Carrying value of pledged assets				
TRS	(940)		(914)	
Haf	(769)		(904)	
Holt	(717)		(755)	
		(2,426)		(2,574)
Carrying value of unpledged assets		**2,941**		**3,519**
Estimated realisable value of unpledged assets		**1,097**		**1,080**

- The above table shows the carrying value of the loans to customers balance, both before and after the impact of pledged assets.
- Pledged assets relate to the Haf and Holt SPVs, comprised of loans allocated to an ongoing repo agreement with the CBL, and loans previously sold under TRS agreements. The Haf and Holt SPVs are recorded as an asset within Investment in Subsidiaries.
- The carrying value of these pledged assets has decreased as the loans contained within the SPVs have been paid down during the period. The carrying of TRS loans has changed due to FX movements only.

Asset / liability class analysis

A: Loans to customers – estimated realisable value reconciliation

Loans to customers reconciliation	EURm
Estimated realisable value as at 30 June 2009	**1,080**
Repayments made during the period	(107)
Write-offs and conversions during the period	(51)
New loans transferred from Islandsbanki	10
FX impact	31
Impact of changes to valuation estimates	134
Estimated realisable value as at 31 December 2009	**1,097**

- The adjacent analysis reconciles the movement in estimated realisable value during the six months to 31 December 2009.
- The repayments made during the period represent principal repayments only, and do not include interest, penalty interest or fees. This balance is shown net of new loans extended during the period.
- Write-offs and conversions include the estimated realisable value of amounts written-off during the period. Certain loans have been converted into equity positions as part of debt for equity transactions (see Note E). The resulting equity is shown within Shares and Equity Instruments.
- A small number of loans were transferred from ISB during the period.
- The positive FX impact is primarily driven by the movements of the NOK against the Euro during the period (approximately a 10% strengthening).
- The movement resulting from the changes in valuation estimates has had a significant positive impact on the portfolio. The estimated recovery percentage increased from 31% as at 30 June 2009 to 37% as at 31 December 2009.

Asset / liability class analysis

A: Loans to customers – industry analysis

EURm	31.12.2009 Carrying value	31.12.2009 Estimated realisable value	31.12.2009 %	30.06.2009 Carrying value	30.06.2009 Estimated realisable value	30.06.2009 %
Loans to Customers after set-off						
Holding Companies	1,535	110	*7%*	1,734	223	*13%*
Fish and Maritime	697	640	*92%*	525	384	*73%*
Manufacturing	257	141	*55%*	275	108	*39%*
Property & Real Estate	183	18	*10%*	178	17	*10%*
Financial Institutions	60	37	*62%*	192	36	*19%*
Retail	27	20	*75%*	26	19	*73%*
Utilities	16	15	*93%*	24	19	*79%*
Other	165	115	*69%*	565	274	*48%*
Total Loans to Customers	**2,941**	**1,097**	***37%***	**3,519**	**1,080**	***31%***

- Loans to holding companies remained the largest proportion of the portfolio by carrying value. However, the carrying value and estimated realisable value of holding companies decreased during the period as a result of reductions in the carrying value of a number of loans from 5% to zero.
- The recovery percentage increased in the Fish and Maritime sector over the period. The largest loans in this sector relate to the offshore and oil service companies, whose recovery rating has been upgraded during the period.
- The categorisation of individual loans was reviewed during the period. As a result, certain loans categorised in 'Other' as at 30 June 2009 have been reallocated to other categories (principally 'Fish and Maritime') as at 31 December 2009. The analysis as at 30 June 2009 has not been adjusted.

Asset / liability class analysis

A: Loans to customers – geographical analysis

EURm	31.12.2009 Carrying value	31.12.2009 Estimated realisable value	31.12.2009 %	30.06.2009 Carrying value	30.06.2009 Estimated realisable value	30.06.2009 %
Loans to Customers after set-off						
Iceland	1,786	133	*7%*	2,138	188	*9%*
Norway	647	578	*89%*	723	478	*66%*
United States	151	135	*90%*	165	125	*76%*
UK	145	125	*86%*	177	143	*81%*
Germany	90	33	*36%*	91	46	*51%*
Canada	36	33	*93%*	34	28	*80%*
Denmark	31	18	*57%*	28	19	*67%*
Other	54	43	*80%*	163	53	*32%*
Total Loans to Customers	**2,941**	**1,097**	***37%***	**3,519**	**1,080**	***31%***

- The adjacent analysis breaks down the loans to customers portfolio by geography of borrower.
- The breakdown of the portfolio by carrying value has been broadly stable across the period.
- By estimated realisable value, the proportion of the portfolio from Norway represented approximately 53% as at 31 December 2009, an increase from 44% as at 30 June 2009.

Asset / liability class analysis

A: Loans to customers – currency analysis

EURm	31.12.2009 Carrying value	31.12.2009 Estimated realisable value	31.12.2009 %	30.06.2009 Carrying value	30.06.2009 Estimated realisable value	30.06.2009 %
Loans to Customers after set-off						
ISK	758	24	*3%*	794	40	*5%*
EUR	658	139	*21%*	967	123	*13%*
NOK	499	460	*92%*	541	386	*71%*
USD	320	244	*76%*	442	227	*51%*
GBP	203	111	*55%*	224	142	*63%*
Other	505	119	*24%*	551	162	*29%*
Total Loans to Customers	**2,941**	**1,097**	***37%***	**3,519**	**1,080**	***31%***

- An increasing proportion of the estimated realisable value of the portfolio is denominated in NOK, as a result of an increase in the recovery percentage of the NOK portfolio from 71% to 92%.
- The most significant currencies shown within 'Other' are CHF, CAD and JPY.

Asset / liability class analysis

A: Loans to customers – top holdings analysis by carrying value

EURm	31.12.2009 Carrying value	31.12.2009 Estimated realisable value	31.12.2009 % of total	30.06.2009 Carrying value	30.06.2009 Estimated realisable value	30.06.2009 % of total
Loans to Customers after set-off						
Iceland / Holding Company	212	8	*7.2%*	164	8	*4.7%*
Norway / Fish & Maritime	186	177	*6.3%*	164	140	*4.7%*
Iceland / Holding Company	164	-	*5.6%*	159	-	*4.5%*
Iceland / Real Estate	140	5	*4.7%*	145	1	*4.1%*
Iceland / Holding Company	137	0	*4.7%*	146	12	*4.2%*
Iceland / Holding Company	127	6	*4.3%*	131	-	*3.7%*
Norway / Fish & Maritime	121	115	*4.1%*	86	73	*2.4%*
Iceland / Holding Company	117	-	*4.0%*	107	-	*3.0%*
US / Fish & Maritime	76	72	*2.6%*	77	66	*2.2%*
Canada / Fish & Maritime	69	46	*2.4%*	49	24	*1.4%*
Total top 10	1,350	429	*45.9%*	1,228	324	*34.9%*
Other	1,591	668	*54.1%*	2,291	756	*65.1%*
Total Loans to Customers	**2,941**	**1,097**	***100.0%***	**3,519**	**1,080**	***100.0%***

- The adjacent analysis sets out the top ten loans by carrying value.
- Some of the loans in the adjacent table have increased over the period. This is as a result of reclassifying some of the loans to the top groups. Previously, certain loans were classified individually.

Asset / liability class analysis

A: Loans to customers – top holdings analysis by estimated realisable value

EURm	31.12.2009 Carrying value	31.12.2009 Estimated realisable value	31.12.2009 % of total	30.06.2009 Carrying value	30.06.2009 Estimated realisable value	30.06.2009 % of total
Loans to Customers after set-off						
Norway / Fish & Maritime	186	177	*16.1%*	164	140	*12.9%*
Norway / Fish & Maritime	121	115	*10.5%*	86	73	*6.8%*
US / Fish & Maritime	76	72	*6.5%*	77	66	*6.1%*
Norway / Fish & Maritime	61	58	*5.3%*	57	49	*4.5%*
Norway / Fish & Maritime	61	58	*5.3%*	57	48	*4.5%*
Canada / Fish & Maritime	69	46	*4.2%*	49	24	*2.3%*
Iceland / Manufacturing	35	31	*2.8%*	-	-	*0.0%*
Norway / Manufacturing	37	30	*2.7%*	28	23	*2.2%*
Iceland / Manufacturing	26	24	*2.2%*	22	18	*1.6%*
Norway / Fish & Maritime	24	22	*2.0%*	21	18	*1.6%*
Total top 10	696	633	*57.7%*	560	458	*42.4%*
Other	2,245	464	*42.3%*	2,959	622	*57.6%*
Total Loans to Customers	**2,941**	**1,097**	***100.0%***	**3,519**	**1,080**	***100.0%***

- The adjacent analysis sets out the top ten loans by estimated realisable value.
- In the financial information presented as at 30 June 2009, one of the loans (Iceland/ Manufacturing) was classified as a derivative asset. This derivative has been closed-out during the period and, in an agreement with the counterparty, reclassified as a loan with repayments to be made to settle the resulting obligation.

Asset / liability class analysis

A: Loans to customers – risk categorisation analysis

EURm	31.12.2009 Carrying value	31.12.2009 Estimated realisable value	31.12.2009 %	30.06.2009 Carrying value	30.06.2009 Estimated realisable value	30.06.2009 %
Loans to Customers after set-off						
A	790	730	*92%*	778	658	*85%*
B	77	63	*83%*	229	159	*70%*
C	117	102	*87%*	28	14	*50%*
D	61	31	*52%*	859	148	*17%*
E	703	151	*22%*	292	66	*23%*
F	1,194	19	*2%*	1,333	35	*3%*
Total Loans to Customers	**2,941**	**1,097**	***37%***	**3,519**	**1,080**	***31%***

- The adjacent analysis summarises the risk categorisation of the loan portfolio. The methodology used to derive the risk categorisation is as in the Statement of Assets and Liabilities as at 30 June 2009, and as detailed in the Appendices.

Asset / liability class analysis

B: Loans to banks analysis

EURm	Carrying value as at 31.12.2009	Estimated realisable value as at 31.12.2009	Estimated realisable value as at 30.06.2009
Loans to Banks			
Revised recorded balance sheet amount	799		
Loans subject to set-off	(281)		
	518		
Net loans to Icelandic counterparties	25	-	-
Net loans to international counterparties	43	43	11
Net loans to subsidiaries or former subsidiaries	450	450	638
Total Loans to Banks	**518**	**493**	**649**

- The estimated realisable value for ‘Loans to Banks’ is shown after eliminating balances included in derivative claims by international counterparties (representing collateral on derivative transactions under ISDA CSA contracts).
- The ‘Loans to Banks’ balance has decreased as a result of a EUR200m repayment from a former subsidiary, off-set by accrued unpaid interest.

Asset / liability class analysis

C: Derivatives Overview

EURm	Estimated value of derivative assets as at 31.12.2009	Computation of derivative liabilities as at 31.12.2009	Estimated value of derivative assets as at 30.6.2009	Computation of derivative liabilities as at 30.06.2009
Domestic Counterparties				
Pension funds	124	-	149	(21)
Investment companies	12	(139)	16	(173)
Banks and other financial institutions	3	(21)	2	-
Seafood Industry	15	-	20	-
Other Companies	19	(73)	18	(105)
Public bodies	16	-	7	-
Individuals	1	(0)	2	(1)
Total domestic	**189**	**(233)**	**214**	**(300)**
International Counterparties				
Banks and other financial institutions	52	(162)	117	(147)
Investment companies	11	(15)	-	(15)
Seafood Industry	0	(0)	12	-
Other Companies	0	(0)	15	(1)
Total international	**63**	**(178)**	**144**	**(163)**
TOTAL DERIVATIVES	**252**	**(411)**	**358**	**(463)**

Asset / liability class analysis

C: Derivatives analysis: international counterparties

International counterparties

- There are 71 counterparties primarily under ISDA contracts, the majority of which are international banks. One Icelandic bank is included in this analysis as it is an ISDA counterparty. Glitnir has recorded a net derivative asset position against 40 counterparties and a net liability against 31 counterparties.
- In accordance with ISDA protocol, Glitnir received 'event of default notices' soon after the Bank's collapse. Counterparties have designated a range of 'Early Termination Dates', the validity of which is being examined by the Bank, and which may impact upon the value of the derivative assets and liabilities. The estimated realisable value ascribed to the derivative portfolio is based upon these close-out dates or 7 October 2008, where that applies under the relevant terms. The Bank has been working with Morrison & Foerster as legal advisors to support the assessment of claims and recovery of value on derivative assets.
- Counterparties, as the non-defaulting party under ISDA terminology, have provided close out statements and details of their valuation methodology. The Bank has entered into dialogue with counterparties to follow–up where inadequate detail has been provided to enable a complete reconciliation to be performed against its own records.
- To date, the Bank has focused on the maximisation of recovery value from derivative assets. This has led to a range of outcomes:
  - the Bank has agreed a settlement sum with 5 counterparties and recovered €35m;
  - the Bank has calculated an asset value approximate to that of the counterparty but the claim is being set-off against other liabilities;
  - the Bank is in dispute with the counterparty over the claimed amount. In some cases counterparties are claiming against the Bank whilst Glitnir believe they have an asset position at the close out date. The reason for the disputes are varied and include:
    - the counterparty has claimed set-off against other non-ISDA positions;
    - the valuation date is under dispute; and
    - key valuation inputs are different.
- Given the extreme market volatility at the time of the collapse, the timing of the valuation and differences in key valuation inputs can have a significant impact on the value of the derivative assets. The Bank has engaged a calculation agent to help understand the drivers of the difference and will continue its dialogue with relevant counterparties.

Asset / liability class analysis

C: Derivatives analysis: international counterparties

	DERIVATIVE ASSET			DERIVATIVE LIABILITY	
EURm	Estimated remaining value of derivative assets	Recovered funds to date	Claim Registration Amount	Computation of derivative liabilities	Claim Registration Amount
International Counterparties					
Banks and other financial institutions	52	35	(43)	(162)	(381)
Investment companies	11	0	0	(15)	(23)
Seafood Industry	-	0	(6)	(0)	(0)
Other Companies	0	0	0	(0)	(1)
Total	63	35	(49)	(178)	(406)

- The Bank has agreed a settlement sum with 5 counterparties and recovered €35m and is close to recovery in several other cases.
- The Claim Registration total of €412m is €234m higher than the Bank's computation of its derivative liabilities. Of the 31 international counterparties, 26 have registered a claim against the Bank and those that did not account for less than 1% of the computed liabilities. In addition, 9 counterparties in an asset position from the Bank's perspective have registered claims totalling €49m.
- The principal differences relate to:
  - an Icelandic financial institution registered a claim of €109m against a computed liability of €18m; and
  - a limited number of international counterparties who have registered a claim significantly higher than the Bank's liability computation and who are disputing key valuation inputs, particularly the ISK rate on complex deals. As noted above, the Bank has engaged a calculation agent to help understand other drivers of the differences and will continue its dialogue with relevant counterparties. It is clear, however, that in some cases disputes will remain and the most likely source of resolution will be the Courts. To date, no decision to litigate any of the relevant matters has been made.

Asset / liability class analysis

C: Derivatives analysis: international counterparties

EURm	Estimated remaining value of derivative assets as at 31.12.2009	Computation of derivative liabilities as at 31.12.2009	Net as at 31.12.2009	Estimated value of derivative assets as at 30.6.2009	Computation of derivative liabilities as at 30.06.2009	Net as at 30.06.2009
International counterparties Pre-netting [1]	126			341		
Balance subject to set-off [2]	(63)			(197)		
International counterparties Post-netting	63			144		
International Counterparties						
Banks and other financial institutions	52	(162)		117	(147)	
Investment companies	11	(15)		-	(15)	
Seafood Industry	-	(0)		12	-	
Other Companies	0	(0)		15	(1)	
Total international	63	(178)	(112)	144	(163)	(19)

- **(1) Pre-Netting**. Prior to netting, the estimated value of derivatives has decreased as a result of cash settlements and primarily for an increase in the valuation adjustment booked to take account of credit, valuation and legal uncertainties against each counterparty. The adjustment has been further developed based on receipt of counterparty close-out notices, discussions with counterparties and an assessment of the legal risks associated with claim challenges.
- **(2) Netting.** Registered claims from a number of counterparties have been set-off against the derivative positions. Based upon legal correspondence received to date, a number of counterparties are claiming set-off against potential derivative settlements due. There are only 10 remaining Banks without the ability to net a bond/debt position, which total €55m.

Asset / liability class analysis

C: Derivatives analysis: domestic counterparties

- There are 184 domestic counterparties. Business was principally undertaken under the Bank's general Terms and Conditions (i.e. Non-ISDA agreements). The counterparties are split between individuals, holding companies, pension funds, investment companies, seafood companies and banks. Glitnir has recorded a net derivative asset position against 162 counterparties and a net liability against 22 counterparties.
- Without the standardised close out mechanism associated with ISDA contracts, at the time of the Bank's collapse a range of options were pursued by both the Bank and relevant counterparty:
  - in most cases the derivative asset or liability position was left to mature without any termination notices being sent on behalf of the counterparty indicating a termination under local Terms and Conditions; and
  - certain longer-term contracts were left 'live' and a computation of value was made by the Bank on an on-going basis. If the contract had not matured prior 22 April 2009, this date was designated by Glitnir as the final termination date.
- To date, the Bank has focused on the maximisation of recovery value from domestic derivative assets. This has led to a range of outcomes:
  - In the majority of cases the Bank is in negotiation or dispute with the counterparty over the claimed amount. The reason for the disputes are varied but are principally focused on:
    - a dispute regarding the valuation date. For example, despite not sending termination notices at any time, local counterparties are disputing cases where derivatives were left to mature or closed out as at 22 April 2009 and claiming that the termination date was established under the local Terms and Conditions as at the date of the Bank's default or its entry into Moratorium and, accordingly, such a date should be treated as the termination date for valuation of the contracts despite the lack of formal notification of termination;
    - key valuation inputs being different (notably the ISK rate used); and
    - the legitimacy of the underlying transaction, based on a number of factors, such as suitability and documentary support to evidence the transactions.

Asset / liability class analysis

C: Derivatives analysis: domestic counterparties

EURm	DERIVATIVE ASSET Estimated remaining value of derivative assets	DERIVATIVE ASSET Recovered funds to date	DERIVATIVE ASSET Claim Registration Amount	DERIVATIVE LIABILITY Computation of derivative liabilities	DERIVATIVE LIABILITY Claim Registration Amount
Domestic Counterparties					
Pension funds	124	0	(49)	-	(2)
Investment companies	12	0	(5)	(139)	(384)
Banks and other financial institutions	3	7	(6)	(21)	(65)
Seafood Industry	15	1	-	-	-
Other Companies	19	0	(1)	(73)	(220)
Public bodies	16	2	(2)	-	-
Individuals	1	0	(2)	(0)	(0)
Total	189	11	(64)	(233)	(671)

- The Bank has part settled with 11 counterparties, of which 9 settled with cash amounting to EUR11m. In addition, Glitnir has agreed to accept loans and equities from 2 counterparties. Even in cases where the counterparty is not disputing the claimed amounts the Bank has had limited success negotiating payment based on the fact that a significant proportion of local counterparties are themselves in bankruptcy.
- The Claim Registration total of €671m is €438m higher than the Bank’s computation of its derivative liabilities. Of the 21 domestic counterparties, 15 have registered a claim against the Bank those that did not account for less than 18% of the computed liabilities. In addition 34 counterparties in an asset position from the Bank’s perspective have registered claims totalling €64m.
- The principal difference relates to:
  - a limited number of domestic investment companies who have registered a claim significantly higher than the Bank’s liability computation and who are disputing key valuation inputs, particularly the ISK rate. The three largest claims account for claims of €588m against a computed liability of €162m. As noted above, the Bank has engaged a calculation agent to help understand other drivers of the difference in valuation and will continue its dialogue with counterparties. It is clear, however, that in some cases disputes will remain and the most likely source of resolution will be the Courts.

Asset / liability class analysis

C: Derivatives analysis: domestic counterparties

EURm	Estimated remaining value of derivative assets as at 31.12.2009	Computation of derivative liabilities as at 31.12.2009	Net as at 31.12.2009	Estimated value of derivative assets as at 30.6.2009	Computation of derivative liabilities as at 30.06.2009	Net as at 30.06.2009
Domestic counterparties Pre-netting [1]	305			447		
Balance subject to set-off [2]	(116)			(233)		
Domestic counterparties Post-netting	**189**			**214**		
Domestic Counterparties						
Pension funds	124	-		149	(21)	
Investment companies	12	(139)		16	(173)	
Banks and other financial institutions	3	(21)		2	-	
Seafood Industry	15	-		20	-	
Other Companies	19	(73)		18	(105)	
Public bodies	16	-		7	-	
Individuals	1	(0)		2	(1)	
Total domestic	**189**	**(233)**	**(44)**	**214**	**(300)**	**(86)**

- **(1) Pre-Netting**. Prior to netting, the estimated value of derivatives has decreased as a result of cash settlements, an increase in the valuation adjustment booked to take account of credit, valuation and legal uncertainties against each counterparty and a change in the valuation inputs (the valuation date of non-matured transaction is 22 April 2009).
- **(2) Netting.** Registered claims from a number of counterparties have been set-off against the derivative positions.

Asset / liability class analysis

D: Bonds and debt instruments analysis

EURm	Estimated realisable value 31.12.2009	Estimated realisable value 30.06.2009
Bond positions		
Recorded Balance Sheet amount	136	423
Amounts subject to set-off relating to repo activity	-	(315)
	136	108
Amounts subject to set-off relating to Icelandic banks	(77)	-
Net Bond Position	**59**	**108**

EURm	Estimated realisable value 31.12.2009	Estimated realisable value 30.06.2009
Bond positions		
Icelandic sovereign	33	62
International	2	36
Other Icelandic	24	7
Icelandic banks	0	3
	59	**108**

Presentation adjustments

- The recorded balance sheet as at 30 June 2009 was presented with those bonds pledged to counterparties under repo agreements (EUR315m) included. In the latest presentation the bonds under repo agreements have been removed. The repo counterparties have registered claims on a net basis (i.e. after off-set of the bonds pledged to them) and therefore a gross presentation of these assets is no longer required.
- As a result of the claims registration process the Bank has a more complete view of its assets and liabilities with other Icelandic banks. Bond positions are therefore shown on the recorded balance sheet at face value at the default date and then set-off against corresponding claims. The recorded balance sheet as at 30 June 2009 showed EUR3m of Icelandic bank bonds, which represented the net realisable value of these positions. As at 31 December 2009, the recorded balance sheet included EUR77m of Icelandic bank positions shown at nominal value which were then set-off in full.

Movements in value

- There were no maturities in the period.
- Certain Icelandic sovereign debt positions were transferred to GLB Holding and recorded within the subsidiary's value.
- The movement of international and other Icelandic bonds has been driven by both FX and a decline in market value.

Asset / liability class analysis

E: Shares and equities analysis

EURm	Estimated realisable value as at 31.12.2009	Estimated realisable value as at 30.06.2009
Equities		
Listed	10	10
Unlisted	242	188
Total Glitnir	**251**	**198**

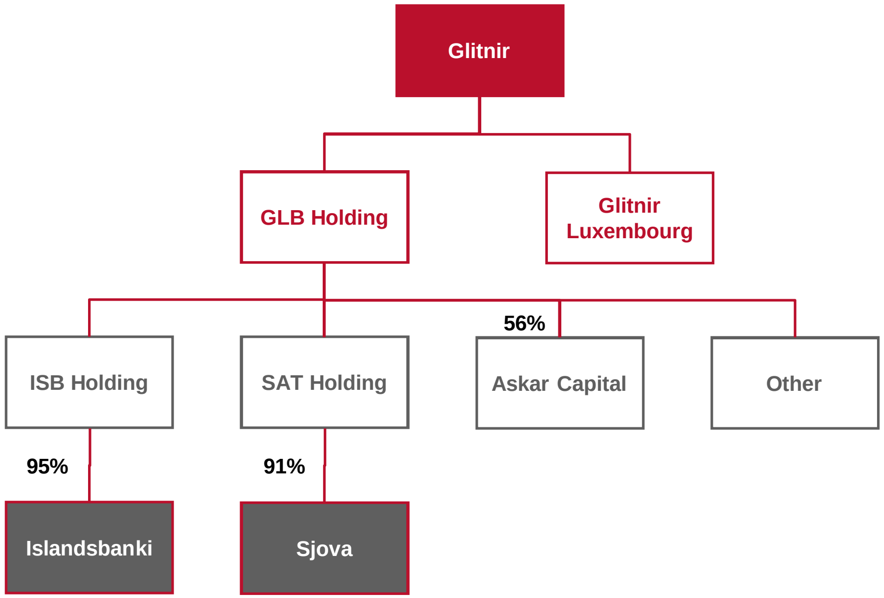
EURm	Estimated realisable value as at 31.12.2009	Estimated realisable value as at 30.06.2009
Unlisted		
Equities	226	188
Converted equity from Loan Work-out	15	-
Total Glitnir	**242**	**188**

Movements in value

- As a result of loan restructurings, the Bank is holding new equity positions both within GLB Holding and Glitnir based on the extent of control associated with the position. During the six month period ending 31 December 2009 EUR41m of equity positions arose from restructurings.
- The movement in unlisted equities has been driven by both FX movements and an increase in market value (based on a review of the underlying performance of each issuer).
- No equities were sold in the period.

Asset / liability class analysis

F: Investment in subsidiaries analysis



Note: all shareholdings are 100% except where shown

- In January 2010, Glitnir reorganised its group corporate structure, as shown in the adjacent chart.
- The new corporate structure is in line with the requirements of the FME, which on 30 December 2009, granted ISB Holding authorisation to take over the 95% shareholding in ISB.
- A board of directors has been appointed for both GLB Holding and ISB Holding, with the following directors on each:
  - GLB Holding - Heimir V. Haraldsson, Þórdís Bjarnadóttir and Kristján Óskarsson; and
  - ISB Holding - Ólafur Ísleifsson, Ásta Þórarinsdóttir and María B. Ágústsdóttir.
- Details of ISB's new board of directors are shown later in this presentation.
- The value ascribed to each subsidiary is shown on the following page.
- 'Other' relates to non-trading or dormant subsidiaries.

Asset / liability class analysis

F: Investment in subsidiaries analysis

EURm	Country	Estimated value of underlying net assets as at 31.12.2009	Estimated value of underlying net assets as at 30.06.2009
Glitnir eignarhaldsfelag ehf. (GLB Holding)	Iceland		
ISB Holding (Islandsbanki hf.)		581	557
SAT Holding (Sjóvá)		9	-
Other subsidiaries		1	-
Other assets		102	-
Total Glitnir eignarhaldsfelag ehf.		**693**	**557**
Glitnir Luxembourg S.A.	Luxembourg	916	661
Total investment in subsidiaries		**1,609**	**1,218**

- The estimated value of ISB has been based upon a high level analysis of ISB's draft performance for 2009 (and its resulting financial position as at 31 December 2009) and median trading multiples for ISB's peer group in the Euro area (principally Price to Book Value and Price to Net Income), adjusted for a downward prudence margin.
- The estimated value for investments in all other subsidiaries is based on the estimated value of the underlying net assets held in the subsidiaries.
- The other assets held within Glitnir eignarhaldsfelag (GLB Holding) relate to certain bond and equity positions, including equity positions resulting from various debt for equity transactions within the loan portfolio.
- In addition, certain Sovereign bond positions were transferred from Glitnir to GLB Holding during the period. This was done to ensure the entity had sufficient liquidity, in the unlikely event that additional liquidity was required by ISB.

Asset / liability class analysis

F: Luxembourg update

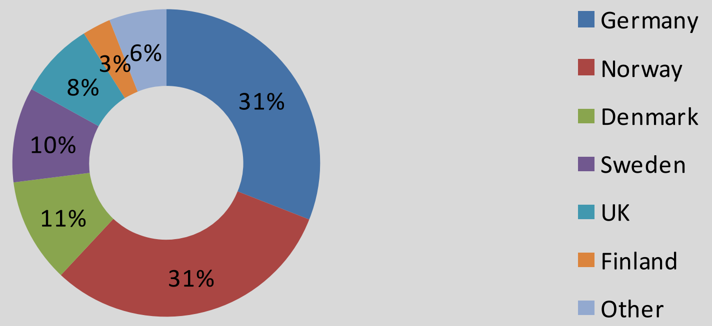
EURm	Carrying value as at 31.12.2009	Estimated realisable value as at 31.12.2009	Carrying value as at 30.06.2009	Estimated realisable value as at 30.06.2009
Underlying net assets in subsidiary				
Loan portfolio	831	504	923	601
	831	504	923	601
SPV activity				
Haf	766			
Holt	717			
Holm	139			
	1,622	1,072	1,747	848
Cash residing in SPVs	28	28	63	63
Other assets	9	6	-	-
Obligations to CBL		(695)		(851)
Potential remaining value for creditors		916		661

- The value attributed to Glitnir Luxembourg is a function of (1) the value attributed to the property loan portfolio; (2) the value attributed to the three SPVs; less (3) the outstanding obligation owed to the Central Bank of Luxembourg.
- The principal movements relate to:
  - the carrying value of the property loan portfolio has decreased as a result of repayments on the portfolio. The estimated recovery percentage of the portfolio has reduced marginally from 65% to 61%;
  - the estimated realisable value of the SPVs has increased as a result of (1) an increase on the estimated recovery percentage on the Haf and Holt SPVs to 69% across the two portfolios; and (2) an increase in the estimated realisable value from Holm to approximately EUR47m; and
  - the obligation to the CBL has decreased as a result of repayments during the period. According to the repayment plan in place with the CBL, Glitnir Luxembourg was to repay EUR157m during 2009. Actual capital repayments for 2009 totalled EUR351m.

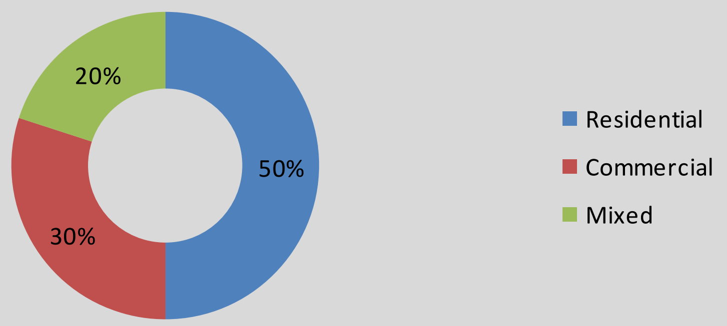
Asset / liability class analysis

F: Luxembourg update – analysis of property portfolio

Glitnir Luxembourg property portfolio - geography analysis as at 31 December 2009



Glitnir Luxembourg property portfolio - sector analysis as at 31 December 2009



- The adjacent charts set out an analysis of the property portfolio within Glitnir Luxembourg. The analyses are done at carrying value rather than estimated realisable value.
- The loan portfolio is comprised of a mix of residential and commercial property related loans across northern Europe, principally in Germany and Norway.

Asset / liability class analysis

F: Luxembourg update – analysis of Haf and Holt

EURm	Carrying value (31.12.2009)	Estimated realisable value (31.12.2009)	%
Haf and Holt - Loans to Customers			
Holding Companies	412	137	*33%*
Fish and Maritime	249	202	*81%*
Property & Real Estate	217	182	*84%*
Manufacturing	162	136	*84%*
Utilities	67	63	*95%*
Financial Institutions	54	44	*83%*
Retail	53	30	*56%*
Other	271	229	*85%*
Total Loans to Customers	**1,483**	**1,025**	***69%***

- At a broad level, the loans contained within the SPVs (Haf and Holt) are a higher quality of asset than the loan portfolio residing within Glitnir itself. As a result, the estimated recovery percentage as at 31 December 2009 is 69% in the two SPVs compared to the 37% in Glitnir.
- The composition of the loan portfolios of the Haf and Holt SPVs in relation to industry sector broadly mirrors that in Glitnir. The largest sector by carrying value relates to Holding Companies. These are typically Icelandic domiciled holding companies with investments in overseas trading entities.

EURm	Carrying value (31.12.2009)	Estimated realisable value (31.12.2009)	%
Haf and Holt - Loans to Customers			
Iceland	947	559	*59%*
UK	181	160	*89%*
United States	78	66	*84%*
Canada	57	54	*95%*
Germany	52	42	*82%*
Spain	43	39	*90%*
Other	124	105	*84%*
Total Loans to Customers	**1,483**	**1,025**	***69%***

- The largest proportion of the Haf and Holt portfolios by geography relates to Icelandic borrowers. However, this borrower group is the lowest recovery rate of the main geographies of the portfolios.

Asset / liability class analysis

F: Luxembourg update – analysis of Haf and Holt

EURm	31.12.2009 Carrying value	Estimated realisable value	%
Haf and Holt - Loans to Customers			
A	368	342	*93%*
B	365	296	*81%*
C	167	146	*88%*
D	141	97	*69%*
E	222	132	*60%*
F	220	11	*5%*
Total Loans to Customers	**1,483**	**1,025**	***69%***

- The risk categorisation of the Haf and Holt portfolios is at a higher quality than the loans within Glitnir.

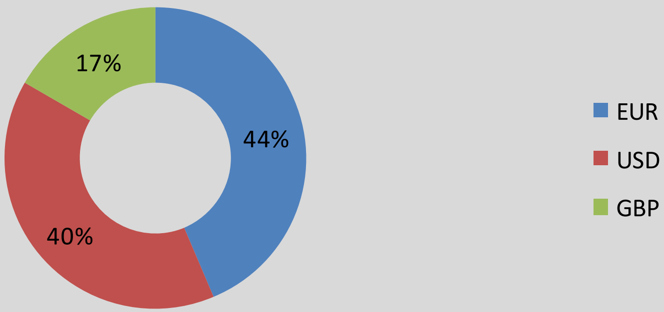
EURm	31.12.2009 Carrying value	Estimated realisable value	%
Haf and Holt - Loans to Customers			
EUR	592	412	*70%*
USD	326	245	*75%*
GBP	170	129	*76%*
ISK	133	50	*38%*
CHF	106	68	*64%*
JPY	63	45	*72%*
CAD	61	56	*93%*
Other	33	19	*58%*
Total Loans to Customers	**1,483**	**1,025**	***69%***

- Approximately 64% of the portfolio (by estimated realisable value) is derived in EUR or USD.
- Unlike the portfolio within Glitnir, there is limited exposure to NOK.

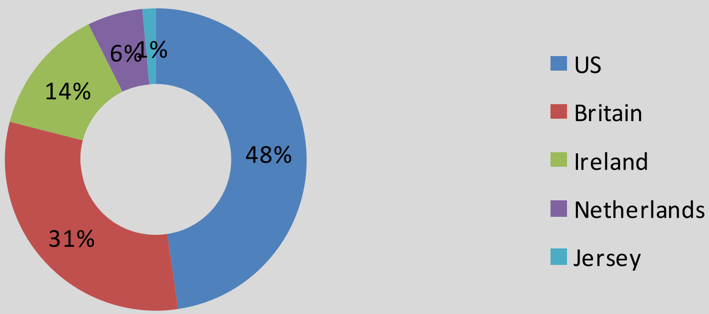
Asset / liability class analysis

F: Luxembourg update – analysis of Holm

Holm SPV FX analysis by carrying value as at 31 December 2009



Holm SPV geography analysis by carrying value as at 31 December 2009



- The adjacent analyses detail the FX and geography breakdown of the Holm SPV portfolio.
- The portfolio is comprised of a mix of European and US corporate bonds.

Asset / liability class analysis

F: Luxembourg update – progress against CBL repayment plan

EURm	Per CBL repayment plan	Per CBL repayment plan (cumulative)	Actual repayments made
Obligation to CBL			
Repayment profile			
2009	157	157	351
2010	157	314	
2011	209	523	
2012	261	784	
2013	261	1,045	
Total	**1,045**	**1,045**	**351**

- The above table sets out the repayment plan to the CBL, as extracted from the agreement with the CBL dated 4 March 2009.
- Under the repayment plan, EUR157m was due to be repaid during 2009. Glitnir Luxembourg is significantly ahead of the repayment plan, having repaid a total of EUR351m during 2009.
- Early repayment of the CBL obligation reduces the interest cost for Glitnir Luxembourg, and reduces the time Glitnir is required to wait before it can recapture the remaining potential value for creditors.

Asset / liability class analysis

G: Cash flow analysis

EURm	June. ´09- Dec. ´09
Cash in-flow	
Principal loans to customers repayments	107
Principal loans to banks repayments	200
Loan interest repayments (incl. penalty fees)	33
Interest on bank accounts	20
Cash received from subsidiaries	9
Other cash in-flow movements (incl. FX)	16
Total cash in-flow	**385**
Cash out-flow	
Trapped cash at external bank	(29)
New loans transferred from ISB	(10)
Set-off between ISB and Glitnir	(21)
Professional fees	(14)
Operational expenses	(3)
Total cash out-flow	**(77)**
Net cash movement in the period	308
Cash balance as at 30.06.2009	422
Cash balance at 31.12.2009	**730**

Currency breakdown EURm	31.12.2009
EUR	224
USD	217
ISK	113
GBP	68
NOK	60
Other	48
Cash balance at 31.12.2009	**730**

- The adjacent analysis sets out the summary cash flow for the six-month period to 31 December 2009. The cash flow is for Glitnir only, and therefore does not take into account cash flows arising in Glitnir Luxembourg or GLB Holding, other than to the extent that cash has been received or passed to the subsidiary.
- The principal cash flow during the period related to loan repayments and are shown net of new loans extended in the period. The most significant principal repayment related to the EUR200m repaid by a former subsidiary during the period.
- In addition, EUR33m of loan interest, penalty interest and fees were received during the period.
- The cash outflow relating to trapped cash is in respect of a former Glitnir subsidiary in Norway.
- New loans from ISB relate to cash passed to ISB in exchange for certain distressed loans passed from ISB to Glitnir during the period.
- The adjacent analysis sets out the Bank's cash and cash equivalents by currency. Further details of the breakdown of Glitnir's cash are shown on the following page.

Asset / liability class analysis

G: Cash flow analysis

Liquid assets as at 30 December 2009	EURm	%
Cash balances held with:		
Íslandsbanki	366	50%
Central Bank of Iceland	203	28%
Luxembourg funds	102	14%
Norway based	29	4%
UK based	18	2%
Other	11	2%
Total	**730**	**100%**

- Approximately 50% of Glitnir's cash and cash equivalents balance is held with ISB. Under the terms of the ISB recapitalisation agreement with the Icelandic government, EUR139m in cash is required to be held by Glitnir at ISB until January 2011.
- The Luxembourg funds relate to a fund managed by ISB on behalf of Glitnir, principally in relation to sovereign bonds. As at 31 December 2009, 25% of the fund was invested in US sovereign debt, 25% in French sovereign debt, 25% in German sovereign debt, 20% in deposits and 5% in other liquid assets.

Asset / liability class analysis

H: Liabilities analysis

- As a result of the expiration of the deadline for claims registration on 26 November 2009, the methodology used to report Glitnir's liabilities changed for the balances as at 31 December 2009. The source of the information is the claims registration data, as presented to creditors at the initial claims registration meeting on 17 December 2009.

- As a result of the Winding-Up Board's continuing work on registered claims, certain adjustments have been made to the initial registered claims. These adjustments relate to:
  - where claims have been withdrawn (ISK19.6bn/ EUR108.9m);
  - where there were errors or duplications in the claims registration list. For example, where both the agent has claimed the full value of the syndicated loan facility in addition to individual syndicated loan members (ISK192.0bn/ EUR1,067.6m); and
  - claims from Glitnir Luxembourg and the two SPVs (Haf and Holt) (ISK168.7bn/ EUR937.6m). Further details relating to these claims are shown in the update on Glitnir Luxembourg.

- 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 these claims and further details will be disclosed at the next claims registration creditors' meeting on 19 May 2010.

- 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 financial information as at 31 December 2009 that the Winding-Up Board does not expect to be ultimately accepted. As a result, the ultimate liabilities of the Bank are likely to be lower than, and creditor ranking may be materially different to, that set-out in this financial information.

Asset / liability class analysis

H: Liabilities analysis

EURm	Claimed amounts	Adjustments	Adjusted claimed amounts	Estimated set-off	Adjusted claimed amounts after set-off as at 31.12.2009	Estimated liabilities after set-off as at 30.06.2009
Debt issued and other borrowed funds	14,323	(796)	13,527	(537)	12,990	
Deposits from customers	721	(362)	359	-	359	
Derivatives	1,369	(179)	1,190	-	1,190	
Off balance sheet items	874	(3)	871	-	871	
Other liabilities	813	(703)	110	-	110	
Subordinated loans	1,003	5	1,008	-	1,008	
Total	**19,103**	**(2,039)**	**17,064**	**(537)**	**16,527**	**14,478**

EURm	Article no.	Declared claim amounts	Adjustments	Adjusted declared claim amounts	Accepted claim amounts
Third party assets	109	184	(0)	184	-
Approval Costs	110	141	(4)	137	-
Secured	111	226	(65)	162	-
Priority	112	1,435	(500)	935	0
Unsecured	113	16,529	(1,470)	15,059	239
Deferred	114	588	(1)	587	-
Total		**19,103**	**(2,039)**	**17,064**	**239**

Asset / liability class analysis

Operating expenses analysis

EUR'000s	Actual Q109	Actual Q209	Actual Q309	Actual Q409	Actual FY09
Salaries and salary related costs	375	402	404	544	1,724
ISB service agreement	1,275	829	843	1,294	4,240
External advisors					
Domestic	516	762	1,435	1,431	4,143
Foreign	3,837	4,158	4,616	2,749	15,361
	4,353	4,921	6,051	4,180	19,504
Other expenses	422	144	254	164	984
Total expenses	**6,425**	**6,295**	**7,552**	**6,182**	**26,453**

- The above table sets out the operating costs of the Bank (i.e. for the activities of both the Resolution Committee and the Winding-Up Board). Amounts have been translated into EUR at the average rate for each quarter.
- Key trends include:
  - staff costs increased in Q409 due to the high volume of work associated with the claims registration process. The average number of employees during the year was 22 and the headcount at year end was 30 employees.
  - ISB costs are payments to Íslandsbanki for a variety of services under a service agreement, including systems rental, computer services, back office functions, financial and accounting services, as well as work on gathering data for public bodies. ISB costs in Q4 were unusually high due to cost of internal audit services provided during the course of 2009 not being recharged until Q4.
  - external advisors' costs decreased in Q409 as a result of a decrease in the high volume of work associated with the ISB recapitalisation in Q309.
  - domestic advisor costs include the cost of the Resolution Committee and Winding-Up Board, which were borne by Glitnir from May/ June 2009. Previous to this, the cost of the Resolution Committee were borne by the FME. This accounts for the increase in Q3.

Appendices

1. Glossary of terms
2. Supplementary notes to financial information
3. Valuation methodology
4. Set-off summary
5. Country economic developments
6. Foreign exchange rates

Appendix 1

Glossary of terms

Act	Act No. 125 / 2008
Carrying value	Asset value as recorded in the accounting records of the Bank before any credit risk adjustments
CSA	Credit Support Annex
EUR	Euro
FME	The Icelandic Financial Supervisory Authority
Glitnir or the Bank	Glitnir banki hf.
Glitnir Luxembourg	Glitnir Luxembourg S.A.
ICC	Informal Creditors' Committee
IRS	Interest rate swap
ISK	Icelandic Krona
Islandsbanki or ISB	Islandsbanki hf.
Moratorium	The Moratorium on creditor proceedings granted to Glitnir on 24 November 2008 and subsequently extended
OTC	Over the counter
Repo	Sale and repurchase agreement
Resolution Committee	The Resolution Committee of Glitnir banki hf.
TRS	Total return swap

Appendix 2

Supplementary notes to financial information

1. Basis of preparation

- The financial information has been prepared on the basis that the Bank 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 2009. Rather, such values are intended to represent the value of assets based on a longer term estimate of recoverable values.
- The Statement of Assets and Liabilities is shown on an unconsolidated basis. The estimated values attributable to investment in subsidiaries are based upon an estimate of the value of the underlying net assets of the subsidiaries and not the carrying value of the investment in the stand-alone company accounts.
- The reported liabilities as at 31 December 2009 have been based upon the claims received by the Bank 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 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 the Bank this provision applies to, and how this Act should be implemented. It is possible that certain deposit creditors of the Bank 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 the Bank's present asset realisation strategy. The methodology does not represent an exhaustive attempt to take into account all factors that the Bank 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 the Bank 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 EUR throughout, with asset values translated at the mid rates published by the Icelandic Central Bank for 31 December 2009 (see Appendix 6). 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 EUR may be materially impacted by future movements in foreign exchange rates. Comparative balances as at 30 June 2009, and 31 December 2008 where presented, 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 the Bank. 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 Resolution Committee 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)

- Due to scarcity of information as at 31 December 2008, the instrument from Islandsbanki was valued based upon the estimate made by the FME in November 2008. In the preparation of the Statement of Assets and Liabilities as at 30 June 2009 the Resolution Committee was in the process of ongoing negotiations regarding the recapitalisation of Islandsbanki and, as a result, the Resolution Committee estimated the value of the shareholding in Islandsbanki based upon its expectation of the likely outcome of the, as then, ongoing negotiations.
- The negotiations regarding the recapitalisation of Islandsbanki have now been finalised and Glitnir has taken a 95 percent shareholding in Islandsbanki. For the financial information presented as at 31 December 2009, the Resolution Committee has estimated the value of the shareholding in Islandsbanki based upon the projected performance of Islandsbanki for the year ended 31 December 2009 and trading multiples for Islandsbanki 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 the Bank's collateral will be subject to subsequent legal findings including rights of set-off and other claims. If the ownership of the Bank's collateral changes as compared to the current understanding, the estimate of value of the Bank's assets and the computation of its liabilities may be materially impacted.
- The financial information was prepared using the Bank's information, based on current available data and assumptions, which is subject to confirmation and change. The Bank may amend, supplement or otherwise change the information it provided for the preparation of the financial information. Due to the related uncertainties, the actual realisable value of the Bank's assets and the amount of its liabilities may differ materially from the values set forth in the financial information.

Appendix 2

Supplementary notes to financial information

3. Balances subject to set-off

- As at 31 December 2009, the Bank has presented a Statement of Assets and Liabilities after 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 netting and creditor set-off based on an interpretation of the potential rights of the Bank and its counterparties. If the rights of the Bank and the counterparties were ultimately to prove different to that assumed, the estimated value of the Bank´s assets and the computation of its liabilities may be materially impacted.

3.1 Legal netting

- As part of the development of the realisation strategy, the Bank 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 the Bank 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 the Bank 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 international 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 the Bank'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 2009. Rather, such values are intended to represent the value of assets based on a longer term estimate of recoverable values.
- The valuation technique uses a three step methodology:
  - **Step 1 -** an estimate of the net present value of each loan is calculated on a non risk adjusted basis.
  - **Step 2 -** application of credit risk adjustments. An adjustment is made to the net present value of loans, at a borrower level, based on a high-level estimate of the probability that the borrower could default prior to realisation and the recovery rate in the event of default. Borrowers were segregated into six risk categories based on an internal risk weighting methodology (see table below).
  - **Step 3 -** an estimate of the costs of realisation for the loans to customers and banks based on a forecast of operating costs for the Bank over the relevant period.
- Within each risk category 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 at a risk-weighted level.

Appendix 3

Valuation methodology

1. Loans to customers and banks (continued)

Risk categorisation for loans to customers

Risk weighting	Indicative categorisation factors
A	– Performing on or close to budget. – No covenant breaches.
B	– Loans with a reasonable chance of encountering difficulty in the near term. – Yet to breach covenant or miss interest or debt repayment.
C	– Covenant breaches. – Meeting interest and debt repayments.
D	– Loans in or likely going into a restructuring as a consequence of not meeting interest and debt repayments.
E	– Loans subject to a completed restructuring exercise as a consequence of not meeting interest and debt repayments.
F	– Companies in bankruptcy proceedings with status not expected to change within 2 – 3 years.

Appendix 3

Valuation methodology

2. Derivatives

- Derivative assets and liabilities amounts on the Statement of Assets and Liabilities represent net positions after consideration of the effects of netting and valuation adjustments.
- Given the volume of business undertaken by the Bank 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, the Bank 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 who 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 the Bank has made the assumption that the positions remained open (subject to eliminating maturing trades) until 22 April 2009.

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.

Appendix 3

Valuation methodology

2. Derivatives (continued)

Realisable Value

- Other derivative products, typically the newest and most complex products or those where pricing inputs may not now be observable, require more judgment in the implementation of the valuation technique 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 the Bank'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 to the Bank.

3. Bonds

- The estimated value for 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 2009 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 2009 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. The Bank 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 the Bank.

6. Cash and balances with central banks

- The estimated value for cash recognised at the central bank is book value.

Appendix 4

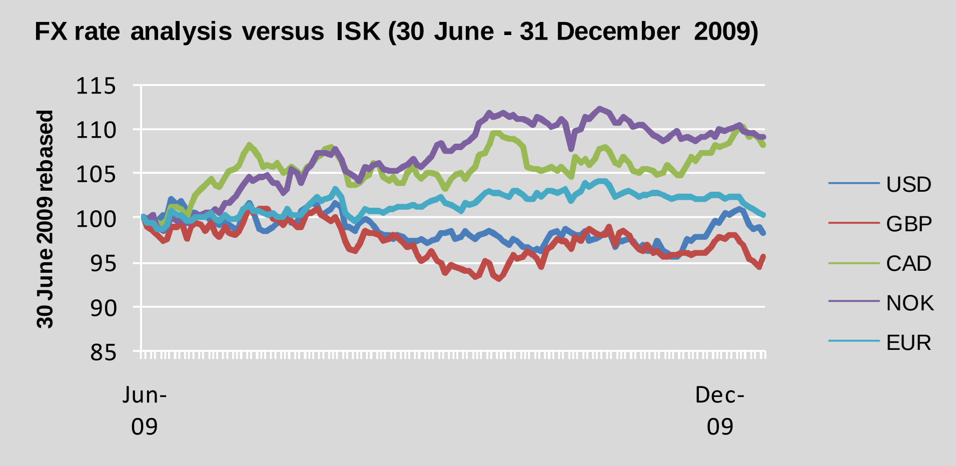
Set-off summary

EURm			
Estimated Realisable Value / Computation of Liabilities as at 31.12.2009			
	Pre Set-off	**Set-off**	**Post Set-off**
Claims registration set-off			
Loans to banks	799	(281)	518
Derivatives	431	(179)	252
Bonds and debt instruments	136	(77)	59
Debt issued and other borrowed funds	(17,064)	537	(16,527)
	n/a	-	n/a

- The adjacent table summarises the set-off from the claims registration.
- Further detail can be found in the note relating to each relevant asset class.

Appendix 5

Country economic developments



- Estimated asset recoveries are sensitive to currency movements against the Euro.

2009 macro economic data	Q2	Q3	Q4
Interest rates			
Iceland	12%	12%	10%
Eurozone	1%	1%	1%
Norway	1.25%	1.25%	1.5%
UK	0.5%	0.5%	0.5%
Canada	0.25%	0.25%	0.25%
US	0.5%	0.5%	0.5%
GDP (YoY)			
Iceland	-6.2%	-7.2%	n/a
Eurozone	-4.8%	-4.0%	n/a
Norway	-2.3%	-0.7%	-3.2%
UK	-5.8%	-5.1%	-3.2%
Canada	-3.2%	-3.2%	n/a
US	-3.8%	-2.6%	0.4%

- The Icelandic interest base rate declined 1 percentage point in both November and December 2009.
- Limited movement in other jurisdictions with only a 0.25 percentage point rise in November 2009 in Norway.

Appendix 6

Foreign exchange rates

Currency	15 November 2008	31 December 2008	22 April 2009	30 June 2009	31 December 2009
EUR	171	169.97	168.76	179.41	179.88
USD	134.64	120.87	130.4	127.01	124.9
GBP	199.6	175.43	190.62	210.95	201.6
CAD	110.56	99.12	105.16	110.19	119.04
DKK	22.961	22.809	22.656	24.091	24.172
NOK	19.374	17.296	19.258	19.855	21.672
SEK	17.057	15.558	15.284	16.567	17.515
CHF	113.2	113.92	111.680	117.62	121.26
JPY	1.3862	1.3398	1.3319	1.3254	1.3516

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