Glitnir hf.

Financial Statements
for the year ended
31 December 2011

Glitnir hf.
Sóltún 26
105 Reykjavík
Iceland

Reg. no. 550500-3530

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Endorsement by the Winding-Up Board and Managing Director

The Resolution Committee of Glitnir hf., formerly Glitnir Bank hf., ("Glitnir" or the "Company") was appointed by the Financial Supervisory Authority of Iceland (FME) on 7 October 2008 in accordance with the authority provided to the FME by Act No.125/2008 on the Authority for Treasury Disbursements due to Unusual Financial Market Circumstances (the emergency law). On this date the Resolution Committee took over all authority of the Board of Directors of Glitnir in accordance with the articles of the Company Law, including oversight of all treatment of its assets, as well as the handling of all other business. It proved impossible for the Icelandic government to support the Icelandic banking system and in order to preserve the Icelandic payment system it was decided to spilt Glitnir into two banks as was also the case with two other commercial banks in Iceland. On 15 October 2008 a new bank, Íslandsbanki hf., was founded and all domestic assets and deposits were transferred from Glitnir to Íslandsbanki hf. based on the decision of FME. All foreign assets and all liabilities except for deposits remained with Glitnir.

In May 2009 the Icelandic parliament passed a Bill of Legislation to amend the act of Financial Undertakings No. 161/2002. The Bill has rules about the winding-up proceedings of financial institutions. As of 1 January 2012, Glitnir´s Winding-Up Board assumed all tasks of Glitnir´s Resolution Committee, whose work had concluded. This change is in accordance with amendments to the Act on Financial Undertakings, adopted by the Icelandic parliament Act No. 78/2011.

The Winding-Up Board´s principal tasks have been and continue to be:

> To serve as Glitnir´s Board of Directors and exercise the rights and obligations formerly held by the Board and shareholders' meeting;
>
> To administer Glitnir´s authorised activities under the supervision of the FME and the District Court of Reykjavík;
>
> To work towards obtaining the maximisation of the value for the Company's assets, to ensure that the Company's assets and rights are disposed of in the most cost-effective manner, that claims and amounts on deposit are collected, that no rights are lost which could be of value and that all necessary actions are taken to prevent damage to the Company's interests;
>
> To decide on creditor´s claims both by rank and amounts and ensure creditors are treated equally according to the law; and
>
> To convene and direct creditors' meetings, as deemed suitable, to present the measures taken by the Winding-Up Board.

The FME revoked the banking licence of Glitnir banki hf. on 19 July 2011. The FME was advised thoroughly about the operations of Glitnir but has ruled that banking licence is no longer required to conduct the present business. Glitnir is no longer authorised to use bank in its corporate name - as a result, Glitnir´s formal name has been changed from Glitnir bank hf. to Glitnir hf.

At a credtors meeting in January 2012 the Winding-Up board of Glitnir made a proposal for payment of a distribution to priority creditors in the winding-up proceedings. Priority claims amounting to ISK 105.6 billion were paid on 16 March 2012 in five currencies, EUR, GBP, ISK, NOK and USD. Thereof disputed claims amounting to ISK 53 billion were paid into escrow accounts and accepted claims amounting to ISK 52.6 billion were paid to creditors.

According to the Income Statement, the profit for the year ended 31 December 2011 amounted to ISK 178,340 million. Profit due to rejection of claims amounted to ISK 97,956 million. Total equity as at 31 December 2011 was negative by ISK 1,798,418 million according to the Balance Sheet.

To the extent that the estimated value of assets is based on inputs that are less observable or unobservable in the market, the estimation of value requires more judgement. Accordingly, the Winding-Up Board has applied considerable judgement in determining the estimate of values for certain assets, notably those relating to loans to customers, unlisted equity instruments, complex derivative products and set-offs.

Endorsement by the Winding-Up Board and Managing Director, contd.:

Statement by the Winding-Up Board and Managing Director

The Financial Statements for the year ended 31 December 2011 have been prepared in accordance with the Icelandic Act on Annual Accounts.

Furthermore, in our opinion, based on the fact that the Company is in Winding-Up procedure, the Financial Statements and the Endorsement by the Winding-Up Board and Managing Director give a true and fair view of the development and performance of the Company´s operations during the year ended 31 December 2011 and its financial position at year end and describe the principal risks and uncertainties faced by the Company. As a result of the Winding-Up Board´s continuing work on the claims and court rulings, the claims register will change in the nearest future.

The Winding-Up Board and Managing Director have today discussed the Financial Statements of Glitnir hf. for the year 2011 and confirm them by means of their signatures.

Reykjavík, 26 March 2012.

The Winding-Up Board

Steinunn Guðbjartsdóttir

Páll Eiríksson

Managing Director

Kristján Óskarsson

Independent Auditors' Report

To the Winding-Up Board and Shareholders of Glitnir hf.

We have audited certain parts of the accompanying financial statements of Glitnir hf., which comprise the balance sheet as at 31 December 2011, and the income statement and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. Our audit was limited to the assets in the balance sheet and administrative expenses in the income statement.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Icelandic Financial Statements Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors´ Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the assets of Glitnir hf. as at 31 December 2011, and of its administrative expenses included in the financial performance for the year then ended in accordance with the Icelandic Annual Accounts Act.

Emphasis of matter

Without qualifying our opinion, we draw attention to the Endorsement by the Winding-Up Board and Managing Director, which describes that Glitnir hf. is formally in winding-up procedure. Furthermore, we draw attention to note 2 to the financial statements, which describes that the financial statements have been prepared on the basis that Glitnir hf. is able to manage the realisation of its assets and transact its ongoing business having appropriate regard to the interests of all its creditors.

Report on Endorsement by the Winding-Up Board and Managing Director

Pursuant to the legal requirement under Article 106, Paragraph 1, Item 5 of the Icelandic Financial Statement Act No. 3/2006, we confirm that, to the best of our knowledge, the Endorsement by the Winding-Up Board and Managing Director accompanying the financial statements includes the information required by the Financial Statement Act if not disclosed elsewhere in the Financial Statements.

Reykjavík, 26 March 2012.

KPMG ehf.

Sæmundur Valdimarsson
Helgi F Arnarson

Income Statement for the year ended 31 December 2011

	Notes	2011	2010
Interest income		61.786	67.744
Interest expenses		0	(6)
Net interest income	3	61.786	67.737
Net impairment losses	4	(916)	50.459
Subordinated loans rejected by the Winding-Up Board as unsecured claims and other changes in claims	5	97.956	(142.202)
Net interest income less impairment losses and write-offs		158.826	(24.006)
Fee and commission income		473	765
Fee and commission expenses		0	(3)
Net fee and commission income		473	761
Net financial income and expenses	6	24.471	(70.103)
Net operating income (loss)		183.771	(93.347)
Administrative expenses	7-9	(5.431)	(4.570)
Profit (loss) for the year		178.340	(97.917)

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Balance Sheet as at 31 December 2011

	Notes	2011	2010
Assets			
Cash and cash equivalents	11	333.422	259.136
Claims from derivative contracts	12	20.313	23.405
Bonds and debt instruments	13	5.735	6.815
Shares and equity instruments	14	49.020	45.896
Loans to banks	15	2.490	3.905
Loans to customers	15	108.803	142.542
Investments in subsidiaries	16	363.004	332.320
Other assets		190	315
Total assets		882.977	814.334
Liabilities			
Claims	18	2.680.743	2.790.288
Other liabilities	19	652	803
Total liabilities		2.681.394	2.791.092
Equity			
Share capital		14.881	14.881
Accumulated deficit		(1.813.299)	(1.991.638)
Total negative equity	20	(1.798.418)	(1.976.757)
Total liabilities and equity		882.977	814.334

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Statement of Cash Flows for the year ended 31 December 2011

	Notes	2011	2010
Cash inflow			
Loans to customers - principal and interest repayments		49.800	68.187
Loans to banks - principal and interest repayments		406	73.132
Claims from derivative contracts - repayments		5.617	6.141
Interest income on bank accounts		4.049	2.186
Dividend, equity and bond maturities and coupon receipts		10.376	7.911
Other inflow		639	1.001
Total cash inflow		70.886	158.558
Cash outflow			
New loans to customers		(1.302)	(5.836)
Administrative expenses		(5.296)	(4.632)
Other		(325)	(2.486)
Total cash outflow		(6.924)	(12.954)
Increase in cash and cash equivalents		63.963	145.603
Effect of exchage rate fluctuations on cash and cash equivalents		10.323	(17.760)
Cash and cash equivalents at the beginning of the year		259.136	131.293
Cash and cash equivalents at the end of the year	11	333.422	259.136

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Notes

1. Reporting entity

Glitnir hf., formerly Glitnir Bank hf., ("Glitnir" or the "Company") is a company domiciled in Iceland. The address of the Company´s registered office is Sóltún 26, 105 Reykjavík, Iceland. Glitnir is in winding-up procedure. The purpose of it´s operations during the winding-up procedure is to obtain the highest possible value for the Company's assets and to ensure equality with respect to creditors´ interest in accordance with law.

2. Basis of preparation

a. Statement of compliance

The financial statements have been prepared in accordance with the Icelandic Annual Accounts Act.

The financial statements were authorised for issue by the Winding-Up Board and Managing Director on 21 March 2012.

b. Basis of measurement

The financial statements have 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 statements are not necessarily intended to represent prices at which an orderly transaction could take place between market participants as at the reporting date. Rather, such values are intended to represent the value of assets based on a longer term estimate of recoverable values.

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

The Balance Sheet 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.

In note 17 a combined Balance Sheet is shown where assets of all subsidiaries, except for Íslandsbanki hf., have been reclassified to the underlying asset classes of which the estimated value of investments in subsidiaries is based on.

The reported liabilities as at 31 December 2011 and 2010 are based on the claim register. Claims in foreign currencies have been translated into ISK at foreign exchange mid rates published by the Icelandic Central Bank for 22 April 2009, which is the lodge date of claims. Other liabilities at year end 2011 and 2010 in currencies other than ISK are translated at year end rates 2011 and 2010, respectively. According to law creditors´ claims do not bear any interest or indexation from the lodge date. The process for agreeing claims is ongoing and so the liabilities included in the Balance Sheet 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 statements 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 different to those reported in the financial statements presented here and that the categorisation of liabilities by priority will change.

Notes, contd.:

c. Valuation principles

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

Asset class	Valuation methodology
Cash and cash equivalents	The value of cash and cash equivalents is book value of deposits and market value of sovereign bonds.
Claims from derivative contracts	For international ISDA counterparties estimated realisable value is based on assumed close-out on 7 October 2008. Realisable value includes valuation adjustment for credit, valuation and legal uncertainties. For Icelandic counterparties estimated realisable value is based on 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 is based on directly or indirectly observable valuation inputs.
Shares and equity instruments ...	Realisable value for listed equities is based on observable valuation inputs. Realisable value for unlisted equities is based on valuation inputs that are not quoted in markets that are active or for which significant inputs are not directly observable.
Loans to banks	Credit adjusted valuation based on a 'hold-to-maturity' strategy.
Loans to customers	Credit adjusted valuation based on a 'hold to sale' or 'hold to maturity' strategy.
Investments in subsidiaries	The estimated value of the 95% share in Íslandsbanki hf. has been based upon a high level analysis of Íslandsbanki forecast performance and median trading multiples for Íslandsbanki peer group in the Euro area (principally Price to Book Value and Price to Net Income). The estimated value for other subsidiaries is based on the estimated value of the underlying net assets held in the subsidiaries. The methodologies used to estimate the value of the underlying assets are the same as those used for assets held directly by Glitnir.

d. Functional and presentation currency

The financial statements are presented in Icelandic Krona (ISK), which is the functional currency of Glitnir hf. All amounts are in ISK million unless otherwise stated. Throughout the financial statements, unless otherwise stated, foreign currency values are translated at the mid rates published by the Icelandic Central Bank for 31 December 2011 and 2010, except for claims which have been translated into ISK at foreign exchage mid rates published by the Central Bank for 22 April 2009. A significant proportion of the assets of Glitnir are denominated in foreign currencies. As a result, the estimated values presented herein may be materially impacted by movements in foreign exchange rates. Foreign currency transactions have been translated at the spot exchange rate at the date of transaction.

e. Creditor set-off

For assets and liabilities held with the same counterparty, Glitnir has used the claims register as the known source of liabilities and set them off against corresponding identifiable asset positions with the same counterparty. Amounts subject to set-off included in the Balance Sheet represent an estimate of the effect of both legal netting and creditor set-off based on an interpretation of the potential rights of Glitnir and its counterparties. If the rights of Glitnir and its counterparties were ultimately to prove different to that assumed, the estimated value of Glitnir´s assets and the computation of its liabilities may be materially impacted.

f. Use of estimates and judgement

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

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 are based on inputs that are less observable or unobservable in the market, the estimation of value requires more judgement. 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, complex derivative products and set-offs.

3. Interest income and expenses are specified as follows:

	2011			2010		
	Interest income	Interest expenses	Net interest income	Interest income	Interest expenses	Net interest income
Cash and cash equivalents	4.049		4.049	1.911		1.911
Claims from derivative contracts	11.027		11.027	25.729		25.729
Loans to customers	46.710		46.710	40.102		40.102
Other		0	0	0	(6)	(6)
Total	61.786	0	61.786	67.744	(6)	67.737

Interest income is calculated in full in accordance with the contractual provisions of interest bearing financial assets. To the extent that interest income is deemed to be uncollecible a corresponding increase in impairment losses is recognised. From 22 April 2009 creditors' claims do not bear any interest.

4. Net impairment losses

Impairment losses are specified as follows:

2010	Claims from derivative contracts	Bonds	Loans	Subsidiaries	Other	Total
Balance at the beginning of the year	277.479	155.450	584.746	277.894	42.027	1.337.596
Impairment for the year	60.195	(17.088)	(5.349)	(62.724)	(25.493)	(50.459)
Write-offs	(31.981)	(2.696)	(1.680)		(1.187)	(37.543)
Foreign exchange difference on impairment	0	0	(70.168)	0	0	(70.168)
Other changes	18.869	0	17.976	0	25.764	62.609
Provision at year end	324.562	135.666	525.526	215.170	41.111	1.242.035
2011						
Balance at the beginning of the year	324.562	135.666	525.526	215.170	41.111	1.242.035
Impairment for the year	23.901	(4.510)	7.885	(28.654)	2.294	916
Write-offs	(44.538)	535	(25.900)	0	(306)	(70.209)
Foreign exchange difference on impairment	6.945	3.009	18.712	4.544	1.584	34.794
Other changes	75	0	355	12.382	24.405	37.217
Provision at year end	310.945	134.700	526.579	203.442	69.086	1.244.753

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Notes, contd.:

5. Claims register

In 2010 the claims register was updated in the Balance Sheet and converted with recorded liabilites in Glitnir´s books. The change in liabilities between the end of 2010 and 2011 is recorded in the Income Statement as follows:

	2011	2010
Claim liabilities in the beginning of the year	2.790.288	2.687.019
Claim liabilities in the end of the year	2.680.743	2.790.288
Changes during the year	109.546	(103.270)
Estimated netting changes	(7.424)	0
Payment of claims	(20)	0
Final set off	(483)	0
Other adjustments and changes	(3.661)	(38.932)
Total Income Statement effect	97.956	(142.202)

6. Net financial income and expenses

Net financial income and expenses are specified as follows:

	2011	2010
Dividend income	6.021	1.350
Net gain on financial assets	3.568	1.887
Net foreign exchange gain (loss)	14.882	(73.340)
Total	24.471	(70.103)

7. Administrative expenses

Administrative expenses is specified as follows:

	2011	2010
Salaries and salary related expenses	607	401
Services from Íslandsbanki hf.	360	386
Services from external advisors	3.974	3.496
Other operational cost	491	287
	5.431	4.570

8. Salaries and salary-related expenses are analysed as follows:

Salaries and related expenses are analysed as follows:

	2011	2010
Salaries	497	327
Contribution to defined contribution plan	61	41
Other salary-related expenses	48	33
Total salaries and salary-related expenses	607	401
Average number of employees	43	31

In addition five people worked for Glitnir outside of Iceland as contractors in both years.

9. Compensation of the Resolution Committee, Winding-Up Board and Managing Director

Fees and salaries to the Resolution Committe, Winding-Up Board and the Managing Director amounted to ISK 330 million during the year.

10. Income tax

Due to uncertainty regarding utilisation of tax losses, Glitnir does not recognise deferred tax assets in the Balance Sheet or recognise the income tax effect of losses in the Income Statement.

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11. Cash and cash equivalents

Cash and equivalents are specified as follows:

	2011	2010
Cash and balances with banks	28.875	17.961
Term deposits	78.268	91.629
International sovereign bonds	210.443	136.016
Icelandic sovereign bonds	11.642	11.013
Restricted cash	4.195	2.517
Total	333.422	259.136

International sovereign bonds are specified as follows:

Australia	686	583
Austria	1.905	0
Canada	7.912	9.136
Denmark	6.322	2.823
Finland	4.866	0
France	20.486	13.365
Germany	28.488	35.754
Netherlands	32.180	13.832
Norway	29.300	15.312
Sweden	3.154	0
UK	10.872	4.991
USA	50.056	39.223
Other:		
Government guaranteed - Baden Württemberg	1.569	0
Government guaranteed - Germany	9.916	0
Vanguard	1.160	996
Supranational	1.571	0
Total	210.443	136.016

Maturity profile as at 31 December 2011 are as follows:

	Deposits	Bonds	Total
0-3 months	77.843	54.992	132.835
3-6 months	22.247	76.616	98.862
6-9 months	10.491	56.183	66.674
9-12 months	0	31.932	31.932
+ 12 months	757	2.362	3.119
Total	111.338	222.084	333.422

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12. Claims from derivative contracts

Claims from derivative contracts are specified as follows:

	International counter-parties	Domestic counter-parties	Total
2011			
Total net claims from derivative contracts, before set off against liabilities	15.969	44.906	60.875
Balance subject to set-off	(14.325)	(26.237)	(40.562)
Total 31.12.2011	1.644	18.669	20.313
2010			
Total net claims from derivative contracts, before set off against liabilities	7.782	48.634	56.417
Balance subject to set-off	(5.354)	(27.658)	(33.012)
Total 31.12.2010	2.428	20.977	23.405

International counterparties:

In accordance with ISDA documentation, Glitnir received ‘event of default notices’ soon after its collapse. Counterparties have designated a range of ‘Early Termination Dates’, the validity of which is being examined by Glitnir and which may have impact on 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. Glitnir has been working with 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. Glitnir has entered into dialogue with counterparties to follow–up where inadequate detail has been provided to enable a complete reconciliation to be performed against Glitnir´s own records.

Given the volatility at the time of collapse the timing of the valuation and differences in key valuation inputs can have a significant impact on the value of the claims from derivative contracts. Glitnir has engaged a calculation agent to help understand the drivers of the difference and will continue its dialogue with counterparties.

Domestic counterparties:

Principally the contracts were entered into under Glitnir’s general terms and conditions (i.e. Non-ISDA agreements).

13. Bonds and debt instruments

Bonds and debt instruments are specified as follows:

	Estimated realisable value	Estimated off	Net position
2011			
Governments	2.758	0	2.758
Financial institutions	13.700	(13.068)	632
Corporates	2.345	0	2.345
Total	18.803	(13.068)	5.735
2010			
Governments	2.472	0	2.472
Financial institutions	16.390	(16.354)	36
Corporates	4.307	0	4.307
Total	23.169	(16.354)	6.815

As a result of the claims registration process Glitnir has a more complete view of its assets and liabilities with other Icelandic banks. Bond positions are presented on a net basis in the Balance Sheet.

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14. Shares and equity instruments

Shares and equity instruments held at year end are specified as follows:

	2011	2010
Listed shares	2.054	2.487
Unlisted shares	46.966	43.409
Total	49.020	45.896

Concentration by location of issuers of shares and equity instruments

	2011	2010
UK	39.109	32.104
Iceland	6.183	5.617
Canada	2.693	2.127
United States	383	642
Norway	539	765
Other	114	4.641
Total	49.020	45.896

During the year 2011 ISK 1,069 million (2010: ISK 508 million) of equity positions arose from loan restructuring.

15. Loans to banks and customers

Glitnir monitors concentration of credit risk by industry sector and by geographical location. The following tables break down Glitnir´s credit exposure at year end as categorised by the industry sectors and geograpical location of Glitnir´s counterparties.

	Loans to banks 2011		Loans to banks 2010	
	Gross amount	Estimated realisable value	Gross amount	Estimated realisable value
Concentration by location				
Norway	3.373	1.601	3.076	2.928
United States	4.935	888	3.876	969
Other	0	0	8	8
Total	8.308	2.490	6.960	3.905

	Loans to customers 2011		Loans to customers 2010	
Concentration by sector				
Financial Institutions	8.169	2.112	8.612	4.844
Seafood	20.994	15.930	23.047	17.345
Offshore & transport service	58.387	54.284	69.243	65.866
Holding Companies	235.258	4.401	255.347	9.358
Manufacturing	30.645	19.520	32.336	22.422
Property and Real Estate	29.355	3.337	30.272	4.160
Retail	7.930	2.244	13.798	7.665
Utilities	370	351	583	529
Other	13.928	6.623	17.870	10.353
Total	405.035	108.803	451.108	142.542
Concentration by location				
Norway	75.547	61.885	89.183	79.876
United States	10.492	4.472	17.728	9.532
Iceland	271.007	8.120	285.716	10.150
UK	15.044	12.706	22.383	20.692
Canada	13.556	10.378	12.519	8.407
Germany	6.785	2.551	8.122	3.101
Denmark	4.128	1.271	4.477	1.606
Other	8.476	7.420	10.980	9.179
Total	405.035	108.803	451.108	142.542

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16. Investments in subsidiaries

Investments in subsidiaries are specified as follows:

	Country of incorporation	Ownership interest	Carrying amount 2011	Carrying amount 2010
GLB Holding ehf.	Iceland	100%	134.844	132.886
Glitnir Bank Luxembourg S.A.	Luxembourg	100%	228.160	199.240
Moderna Finance AB	Sweden	100%	0	194
Investments in subsidiaries total			363.004	332.320

GLB Holding ehf.:

Net assets of GLB Holding ehf. consist of following:

	2011	2010
ISB Holding ehf. (95% share in Íslandsbanki hf.)	110.685	112.019
Other subsidiaries	2.104	1.383
Other assets	22.056	19.483
Total	134.844	132.886

Glitnir Bank Luxembourg S.A.

The value attributed to Glitnir Bank Luxembourg S.A. is a function of the value attributed to the property loan portfolio of Glitnir Bank Luxembourg S.A. and the special pupose vehicles (SPVs) of Haf and Holt less the outstanding obligation owed to the Central Bank of Luxembourg (BCL).

	2011	2010
The valuation consist of:		
Estimated recoverable value of the loan portfolio of the SPVs	145.435	181.383
Estimated recoverable value of other assets of Glitnir Bank Luxembourg S.A.	82.725	82.716
Outstanding obligations to BCL	0	(64.860)
Total	228.160	199.240

Glitnir's Resolution Committee and BCL signed in March 2009 an agreement providing for settlement of debts for Glitnir's subsidiary, Glitnir Bank Luxembourg S.A. BCL is part of the network of European central banks in member countries of the Eurosystem. This agreement facilitate Glitnir's Luxembourg subsidiary to be placed into a voluntary and solvent liquidation.

The agreement meant that important interests of Glitnir and its customers would be safeguarded; the Luxembourg subsidiary would have a period of up to five years within which to maximise the value of its assets and repay all debts owed to BCL. The agreement also foresaw that securitised loan portfolios, pledged to BCL, and which include, for instance, loans to Glitnir's Icelandic customers, would continue to be administered by Glitnir. According to the agreement, proceeds from the corporate loan portfolio of Glitnir Bank Luxembourg were furthermore to be used to repay debts to BCL. The portfolio principally includes mortgages on commercial and residential real estate in the Nordic countries the, UK and Germany.

Thanks to the strong cash collection on the SPVs Glitnir has been able to repay ISK 65 billion (EUR 421.7 million) during the year 2011. Last repayment was achieved on 16 November 2011, more than two years ahead of the repayment schedule.

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17. Combined Balance Sheet

The Combined Balance Sheet of the Glitnir Group (excluding Íslandsbanki hf.) is specified as follows at year end 2011:

	Glitnir hf.	GLB Holding ehf.	Glitnir Luxembourg S.A	Haf / Holt	Elimination entries	Combined
Assets						
Cash and cash equivalents	333.422	2.572	4.998	5.367	0	346.358
Claims from derivative contracts	20.313	0	0	0	0	20.313
Bonds and debt instruments	5.735	20.263	31.508	0	(23.121)	34.385
Shares and equity instruments	49.020	1.909	4.652	2.421	92	58.094
Loans to banks	2.490	0	0	0	0	2.490
Loans to customers	108.803	0	73.144	129.260	0	311.206
Investments in subsidiaries	363.004	118.747	13	0	(370.384)	111.379
Other assets	190	77	1.024	0	0	1.291
Total assets	882.977	143.568	115.338	137.048	(393.413)	885.517
Liabilities						
Claims	2.680.743	0	0	0	0	2.680.743
Other liabilities	652	1.436	1.105	137.048	(137.048)	3.192
Total liabilities	2.681.394	1.436	1.105	137.048	(137.048)	2.683.935
Equity						
Equity	(1.798.418)	142.133	114.233	0	(256.365)	(1.798.418)
	(1.798.418)	142.133	114.233	0	(256.365)	(1.798.418)
Total liabilities and equity	882.977	143.568	115.338	137.048	(393.413)	885.517

18. Claims

The time limit for lodging claims in Glitnir's winding-up proceedings expired on 26 November 2009 and at open creditors' meetings in December 2009, May 2010, December 2010, April 2011 and August 2011 the Winding-Up Board presented the list of claims and explained the decisions which had been made. Creditors also had an opportunity to object to decisions made by the Winding-Up Board on individual claims.

A total of 8,685 claims were lodged in Glitnir's winding-up proceedings amounting to ISK 3,436 billion. This is a maximum figure, which may decrease as the Winding-Up Board reviews the individual claims. In addition, in some instances the same claim has been lodged more than once. At year end the Winding-Up Board has made decisions on all claims lodged.

December 2011	**Originally claimed amounts**	**Changes to claims register**	**Corrected claims register**	**Adjusted claimed amounts**	**Balance Sheet**
Third party assets	33.146	514	33.660	(9.706)	23.954
Approval costs	25.316	(4)	25.313	(24.920)	392
Secured	40.725	(3.398)	37.327	(24.744)	12.583
Priority	258.129	(101.888)	156.241	(54.134)	102.106
Unsecured	2.973.195	(92.551)	2.880.644	(374.853)	2.505.790
Deferred	105.722	312	106.034	(70.117)	35.917
Total claims	3.436.233	(197.015)	3.239.218	(558.475)	2.680.743

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18. Claims, contd.

December 2010	Originally claimed amounts	Changes to claims register	Corrected claims register	Adjusted claimed amounts	Balance Sheet
Third party assets	33.146	(43)	33.103	(11.544)	21.559
Approval costs	25.316	(4)	25.313	(22.737)	2.575
Secured	40.725	(3.398)	37.327	(10.657)	26.670
Priority	258.129	(94.162)	163.967	(9.621)	154.346
Unsecured	2.973.195	(65.649)	2.907.546	(365.060)	2.542.487
Deferred	105.722	643	106.364	(63.713)	42.652
Total claims	3.436.233	(162.613)	3.273.620	(483.332)	2.790.288
Changes in Claim liabilities in 2011	0	(34.402)	(34.402)	(75.143)	(109.546)

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.

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:

	2011	2010
Where claims have been rejected, withdrawn or closed with set-off or settlement	(401.633)	(195.714)
Where accepted priority claims have been paid	(27)	(6)
Where there were errors or duplications in the claims registration list	(40.977)	(72.437)
Claims from Glitnir Luxembourg and its two SPVs (Haf and Holt)	(42.162)	(122.414)
Estimation of set-off	(73.676)	(92.762)
Total	(558.475)	(483.332)

Decisions made by the Winding-Up board (WUB) are specified as follows:

	Decisions made	Accepted claims	Reclass of accepted claims	Total accepted by WUB	Rejected claims
Third party assets	33.660	4.441	(1.784)	2.657	31.003
Approval costs	25.313	142	(120)	21	25.291
Secured	37.327	5.278	(5.278)	0	37.327
Priority	156.241	109.239	(56.608)	52.630	103.610
Unsecured	2.880.644	2.157.643	63.791	2.221.433	659.211
Deferred	106.034	0	0	0	106.034
Total	3.239.218	2.276.741	0	2.276.741	962.477

	Claims register	Unconditionally accepted	Unconditionally rejected / settled	Unconditionally subordinated	Currently under conciliation
Third party assets	33.660	2.657	5.096	142	25.766
Approval costs	25.313	0	24.231	5	1.077
Secured	37.327	0	13.777	11	23.539
Priority	156.241	52.622	50.617	0	53.001
Unsecured	2.880.644	507.247	138.553	97.573	2.137.271
Deferred	106.034	0	9.502	60.103	36.429
Total	3.239.218	562.526	241.776	157.834	2.277.082

In March 2012 Glitnir paid all priority claims. Priority claims which have been finally recognised in Glitnir´s winding-up proceedings and are ranked as priority creditors will be paid in full. The total amount of unconditionally accepted priority claims is ISK 52.6 billion.

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18. Claims, contd.

Priority claims which are still in dispute and were lodged as priority claims will be paid by depositing in special deposit accounts. The total amount of disputed priority claims is ISK 53 billion. Hence, the total payment to be made for priority claims is ISK 105.6 billion. As matters are resolved Glitnir expects to receive part of the amount from the special deposit accounts back to it´s own accounts.

At the end of December 2011 the Winding-Up Board has referred 177 cases relating to 243 claims to Reykjavík District Court when it was not possible to settle such disputes at a meeting. This includes cases that will create precedent for a large number of other disputed claims. Cases that have also been referred to the courts are those concerning employees' claims for salaries and those of the Company’s former senior management.

19. Other liabilities

Other liabilities in the Balance Sheet consist of accounts payable, unpaid salaries at year end and provisions for expenses during the Winding-Up procedure.

20. Equity

Changes in equity are specified as follows:

	Share capital	Accumulated deficit	Total
Equity as at 1 January 2010	14.881	(1.893.721)	(1.878.840)
Loss for the year		(97.917)	(97.917)
Equity as at 1 January 2011	14.881	(1.991.638)	(1.976.757)
Profit for the year		178.340	178.340
Equity as at 31 December 2011	14.881	(1.813.299)	(1.798.418)

According to a decision of FME on 7 October 2008 the Resolution Committee took over all the authority of shareholders meetings, including voting rights. The Winding-Up Board has taken over the authority at the end 2011. Formal decision to write off the share capital has not been taken, but is expected to be taken in the winding-up process. Until formal decision has been taken the share capital will be presented as shown above.

21. Market risk

a. Interest rate risk

The types of interest rate risk faced by Glitnir is twofold. Glitnir is subject to cash flow interest rate risk relating to those loans and other financial assets with floating rate of interest. Due to the significant uncertainty relating to timing of cash flows, impact of future restructuring of loans and recoverability, it is not possible to determine with any precision the impact of changes in interest rate on profit or loss. For instance an increase of interest on an impaired variable rate instrument will in many instances have no effect on the future recoverability of that asset.

Glitnir is also subject to fair value interest rate relating to assets, mainly government bonds, that are recognised at fair value through profit or loss. A change in interest rates will affect the fair value of those assets.

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Notes, contd.:

21. Market risk, contd.:

b. Breakdown by currencies

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

At 31 December 2011

	EUR	ISK	NOK	USD	GBP	Other	Total
Cash and cash equivalents	125.645	42.443	40.043	77.446	30.186	17.659	333.422
Bonds & shares ..	4.635	9.676	539	2.353	34.746	2.806	54.755
Loans to banks ..			1.601	888			2.490
Loans to customers	12.544	4.877	48.766	13.193	12.735	16.687	108.803
Investments in subsidiaries	106.117	149.045	28.772	29.138	7.806	42.126	363.004
Claims from derivative contracts and other assets		19.423		1.080			20.503
Total financial assets	248.942	225.463	119.721	124.099	85.473	79.278	882.977
Total in %	28,2%	25,5%	13,6%	14,1%	9,7%	9,0%	100,0%

b. Breakdown by currencies

At 31 December 2010

	EUR	ISK	NOK	USD	GBP	Other	Total
Cash and cash equivalents	120.913	27.528	23.573	58.833	14.312	13.977	259.136
Bonds & shares ..	621	10.585	765	2.328	35.148	3.265	52.711
Loans to banks ..	6	0	2.928	969		1	3.905
Loans to customers	17.664	6.314	63.224	23.667	16.841	14.833	142.542
Investments in subsidiaries	47.704	143.981	24.825	41.320	18.457	56.032	332.320
Claims from derivative contracts and other assets	1.754	21.824		142			23.720
Total financial assets	188.663	210.231	115.315	127.258	84.759	88.108	814.334
Total in %	23,2%	25,8%	14,2%	15,6%	10,4%	10,8%	100,0%

Assets of subsidiaries have been denominated to the currency of underlying assets of each subsidiary.

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