

Glitnir banki hf.

Statement of Assets and Liabilities

Incorporating an estimate of the value of assets as at 30 June 2010 and a computation of liabilities

14 September 2010

Disclaimer



This document includes a Statement of Assets and Liabilities as at 30 June 2010 (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, 19 November 2009 and 18 August 2010, 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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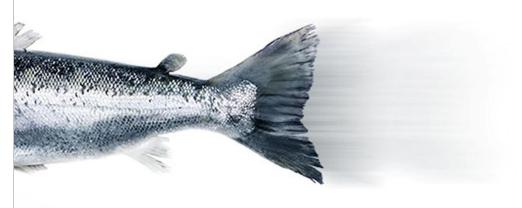
1. Introduction

- 2. Statement of Assets and Liabilities
- 3. Asset / liability class analysis
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Introduction



- The Statement of Assets and Liabilities is presented in ISK throughout (with certain supporting analyses shown in EUR also) and, unless otherwise stated, foreign currency values are translated at the mid rates published by the Icelandic Central Bank for 30 June 2010 (as detailed in Appendix 4). 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 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. Where the liabilities presented in the Statement of Assets and Liabilities have been translated from ISK into Euro this has been at the foreign exchange rate for 30 June 2010.
- 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 31 December 2009, 30 June 2009 and 31 December 2008.
- KPMG, as external auditor to Glitnir, has reviewed the valuation of assets as included in the Statement of Assets as at 30 June 2010. Glitnir's management remains solely responsible for the valuation of assets included in the Statement. Based on KPMG's review, nothing has come to their attention that causes it to believe that the valuation of the assets in the Statement is not, in all material respects, based on the same methods applied in Glitnir's financial statements as at 31 December 2009, as published on Glitnir's website.





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Estimated value of assets and computati	on of liabilities		ISKbn			EURm	
	Notes	30.06.2010	31.12.2009	Movement	30.06.2010	31.12.2009	Movement
Assets							
Loans to customers	Α	157	197	(20.6)%	997	1,097	(9.1)%
Loans to banks	В	6	89	(93.5)%	67	493	(86.4)%
Derivatives	С	25	45	(44.0)%	181	252	(28.1)%
Bonds and debt instruments	D	7	11	(35.1)%	44	59	(25.5)%
Shares and equity investments	Е	52	45	14.9%	331	251	31.9%
Investment in subsidiaries	F	320	289	10.4%	2,034	1,609	26.4%
Cash and cash equivalents	G	245	131	87.0%	1,566	730	114.6%
Other assets		0	0	(40.0)%	1	1	(31.2)%
Total assets 1		812	808	0.5%	5,222	4,493	16.2%
Liabilities							
Third party assets		23	33	(29.4)%	149	184	(19.0)%
Approval costs		25	25	(0.1)%	157	137	14.7%
Secured claims		27	29	(8.5)%	170	162	5.0%
Priority claims		165	168	(1.9)%	1,053	935	12.6%
Unsecured claims		2,555	2,612	(2.2)%	16,298	14,522	12.2%
Deferred claims		42	106	(59.8)%	271	587	(53.8)%
Total liabilities	Н	2,837	2,973	(4.6)%	18,098	16,527	9.5%

^{1.} 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 ISK700bn to ISK900bn (EUR4.5bn to EUR5.7bn). Due to the extent of the uncertainty and other factors that may change, the actual outcome may fall materially outside this range.

Key trends summary

Total assets

- Total assets have increased by ISK4bn from ISK808bn as at 31 December 2009 to ISK812bn as at 30 June 2010. 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 ISK11bn;
 - an upward revaluation in the portfolios within the Glitnir
 Luxembourg subsidiary. The Resolution Committee estimates
 the impact of this upward revaluation to be ISK40bn; offset by
 - a negative impact arising from movements in FX rates. The Resolution Committee estimates the total net impact of movements in FX rates to be ISK38bn.
- Total assets in EUR have increased from EUR4,493m to EUR5,222m over the period, a more significant increase than in ISK. The principal drivers for this increase (in addition to those listed above) related to the weakening of the Euro against various currencies during the period. Approximately 18% of assets are held in Euro as at 30 June 2010. By way of example of this impact, although the valuation of ISB in ISK has not increased, the weakening of the Euro resulted in an increase of EUR86m in the valuation of ISB in EUR.



Total liabilities

- As a result of the Winding-Up Board's continuing work on registered claims, certain adjustments have been made to the initial registered claims in arriving at the estimated computation of liabilities shown on the previous page. As a result of these adjustments, total liabilities have reduced by ISK136bn to ISK2,837bn ISK as at 30 June 2010. Further detail regarding these adjustments is shown in Note H of this document.
- 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 30 June 2010 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.
- Total liabilities in EUR have increased by 9.5% over the period primarily due to FX movements.

Other key trends

 Glitnir's cash balance has increased by ISK114bn from ISK131bn as at 31 December 2009 to ISK245bn as at 30 June 2010. This was driven by principal and interest repayments received from the loan portfolios, most significantly ISK71bn of repayments from a former subsidiary in Norway.



Summary reconciliation

Reconciliation of movement in assets						
					Changes in	
	Balance as at	Cash	FX	Changes in	netting	
ISKbn	31.12.2009	movements	movements	valuation	assumptions	30.06.2010
Assets						
Loans to customers	197	(41)	(11)	11	-	157
Loans to banks	89	(71)	(7)	-	(5)	6
Derivatives	45	(4)	(0)	(11)	(5)	25
Bonds and debt instruments	11	(7)	(0)	5	(1)	7
Shares and equity investments	45	(0)	(2)	8	-	52
Investment in subsidiaries	289	-	(10)	40	-	320
Cash and cash equivalents	131	122	(8)	-	-	246
Other assets	0	-	-	-	-	0
Total assets	808	(0)	(38)	53	(11)	812

• The above table shows an estimate of the key factors affecting the movement in estimated realisable value of Glitnir's asset portfolio between 31 December 2009 and 30 June 2010.



Summary foreign currency analysis

Foreign currency analysis as at 30 June 2010						B	alance as at
ISKbn	EUR	ISK	NOK	USD	GBP	Other	30.06.2010
Assets							
Loans to customers	20	5	67	29	17	18	157
Loans to banks	0	-	5	1	-	0	6
Derivatives	2	22	-	1	-	-	25
Bonds and debt instruments	0	4	-	-	3	-	7
Shares and equity investments	0	4	0	2	39	6	52
Investment in subsidiaries	26	136	26	47	27	59	320
Cash and cash equivalents	99	26	16	77	15	13	245
Other assets	-	0	-	-	-	-	0
Total assets	148	196	114	158	101	95	812
Percentage of total	18.2%	24.2%	14.0%	19.4%	12.4%	11.7%	100.0%

- The above table shows the estimated split of Glitnir's asset by currency as at 30 June 2010.
- The investment in Islandsbanki is assumed to be denominated solely in ISK. The estimated realisable value arising from Glitnir Luxembourg is denominated in the currencies of the underlying assets and liabilities.





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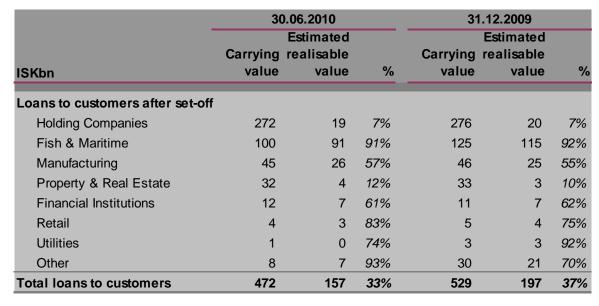
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A: Loans to customers – carrying value reconciliation

ISKbn	30.06.2010	31.12.2009
Loans to customers		
Carrying value	866	965
Carrying value of pledged assets		
TRS	(156)	(169)
Haf	(129)	(138)
Holt	(109)	(129)
	(394)	(436)
Carrying value of unpledged assets	472	529
Estimated value of unpledged assets	157	197

- 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.

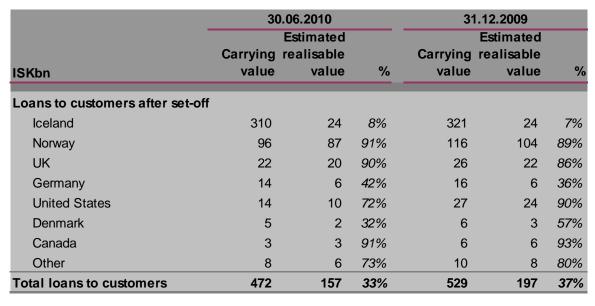
A: Loans to customers – industry analysis





- Loans to holding companies remained the largest proportion of the portfolio by carrying value.
- Despite a marginal fall in the recovery percentage from loans in the Fish and Maritime sector, this sector remained the most significant for Glitnir, representing 58% by estimated realisable value.
- The categorisation of individual loans was reviewed during the period. As a result, certain loans categorised in 'Other' as at 31 December 2009 have been reallocated to other categories as at 30 June 2010. The analysis as at 31 December 2009 has not been adjusted. As a result of these changes, the estimate recovery percentage for 'Other' loans increased from 70% to 93%.

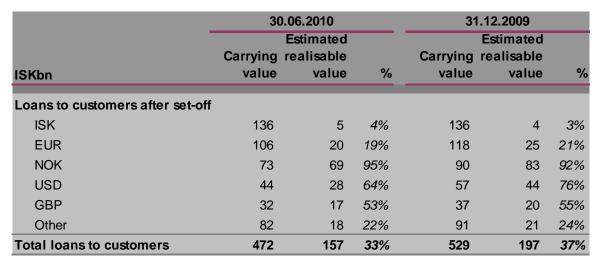
A: Loans to customers – geographical analysis





- 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 55% as at 30 June 2010, an increase from 53% as at 31 December 2009.

A: Loans to customers – currency analysis





- The proportion of the loans to customers portfolio denominated in NOK increased marginally from 42% as at 31 December 2009 to 44% as at 30 June 2010.
- The proportion of the portfolio denominated in USD decreased from 22% to 18% over the period.
- The most significant currencies shown within 'Other' are CHF, CAD and JPY.

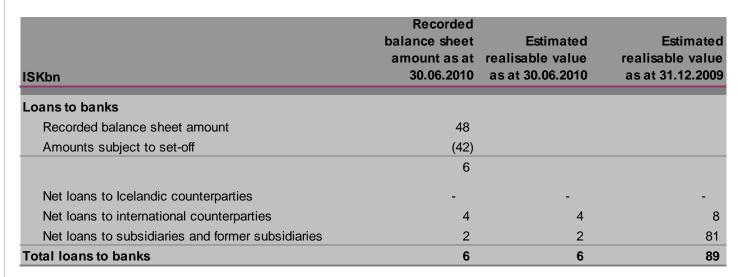
A: Loans to customers – risk categorisation analysis

	30.06.2010			31.1	31.12.2009		
		Estimated		E	Estimated		
	Carrying	realisable		Carrying re	ealisable		
ISKbn	value	value	%	value	value	%	
Loans to customers after set-off							
Α	107	102	96%	142	131	92%	
В	7	6	78%	14	11	82%	
С	11	9	83%	21	18	87%	
D	21	12	57%	11	6	51%	
E	118	24	20%	126	27	22%	
F	207	4	2%	215	3	2%	
Total loans to customers	472	157	33%	529	197	37%	



 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 31 December 2009, and as detailed in the Appendices.

B: Loans to banks analysis

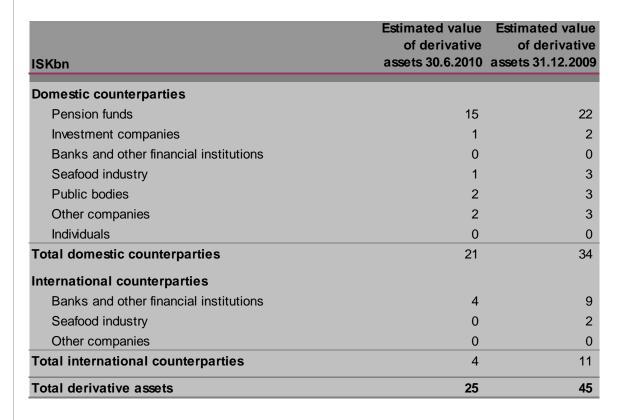


ISKbn		Estimated realisable value as at 30.06.2010	Estimated realisable value as at 31.12.2009
Loans to banks			
USD	1	1	5
NOK	5	5	7
EUR	0	0	76
Other	0	0	0
Total loans to banks	6	6	89



- 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 ISK71bn of repayments from a former subsidiary during the period and the negative impact of movements in FX.

C: Derivatives Overview





- The adjacent table summarises the estimated value of Glitnir's derivative assets as at 31 December 2009 and 30 June 2010.
- Total derivative assets have declined by ISK20bn over this period as a result of:
 - reductions in valuation assumptions regarding certain derivative positions; and
 - reductions as a result of changes in netting assumptions.
- Extensive details regarding Glitnir's derivative portfolios were provided in the Statement of Assets and liabilities as at 31 December 2009. The information provided there included details on the types of contract within the portfolio and details regarding the estimated computation of derivative liabilities. This information is not repeated in this document. To the extent there are updates to this information since 31 December 2009, these have been included in this document.

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C: Derivatives analysis: domestic counterparties

ISKbn	Estimated value of derivative assets 30.6.2010	Recovered funds 01.01.2010 - 30.06.2010
Domestic counterparties		
Pension funds	14.8	-
Investment companies	1.0	0.2
Banks and other financial institutions	0.0	0.0
Seafood industry	1.3	-
Public bodies	2.3	-
Other companies	1.8	0.5
Individuals	0.1	-
Total domestic counterparties	21.3	0.7

- The Bank continues to focus on the maximisation of recovery value from domestic derivative assets. This has led to a range of outcomes:
 - the Bank has part-settled with 8 counterparties since 1 January 2010 with cash amounting to ISK0.7bn;
 - 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.

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C: Derivatives analysis: international counterparties

ISKbn	Estimated value of derivative assets 30.6.2010	Recovered funds 01.01.2010 - 30.06.2010
International counterparties		
Banks and other financial institutions	3.6	3.4
Seafood industry	0.5	-
Other companies	0.1	-
Total international counterparties	4.1	3.4

- The Bank continues to focus on the maximisation of recovery value from domestic derivative assets. This has led to a range of outcomes:
 - the Bank has part-settled with two counterparties since 1 January 2010 with cash amounting to ISK3.4bn;
 - 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.

D: Bonds and debt instruments analysis

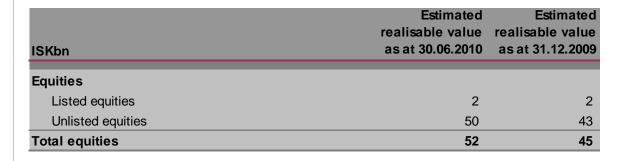
ISKbn	Estimated realisable value as at 30.06.2010	Estimated realisable value as at 31.12.2009
Bond positions		
Recorded balance sheet amount	23	26
Amounts subject to set-off relating to Icelandic banks	(16)	(15)
Net bond position	7	11

ISKbn		Estimated realisable value as at 31.12.2009
Bond positions		
Icelandic sovereign	2	6
Other Icelandic	4	4
International	1	1
Net bond position	7	11



- The estimated realisable value of bond positions within Glitnir reduced from ISK11bn to ISK7bn over the six months to 30 June 2010 due to:
 - the maturity of various sovereign and corporate bond positions during the period, producing cash proceeds of ISK7bn;
 - changes in assumptions regarding netting (negative impact of approximately ISK1bn); offset by
 - changes in assumptions regarding the valuation of certain bond positions (positive impact of approximately ISK5bn).

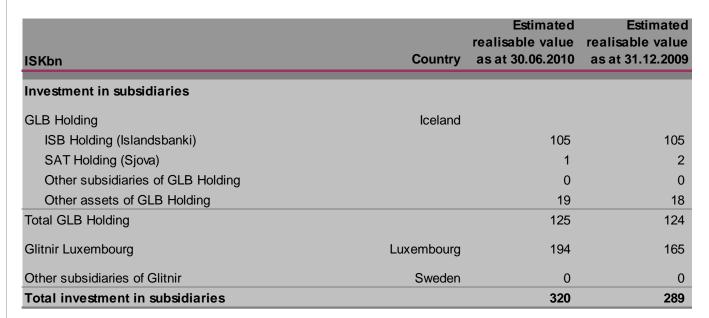
E: Shares and equities analysis





 The estimated realisable value of shares and equity positions within Glitnir increased from ISK45bn to ISK52bn over the six months to 30 June 2010 due to increases in valuation for certain holdings.

F: Investment in subsidiaries analysis



- The estimated value of ISB has been based upon a high level analysis of ISB's 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), adjusting for a downward prudence margin. The Resolution Committee has not updated its valuation of ISB as a result of ISB's performance since 1 January 2010.
- 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 GLB Holding relate to certain bond and equity positions, including equity positions as a result of various debt for equity transactions within the loan portfolio.
- In addition, certain sovereign bond positions are held within GLB Holding to ensure that the entity has sufficient liquidity, in the unlikely event that additional liquidity was required to support ISB.

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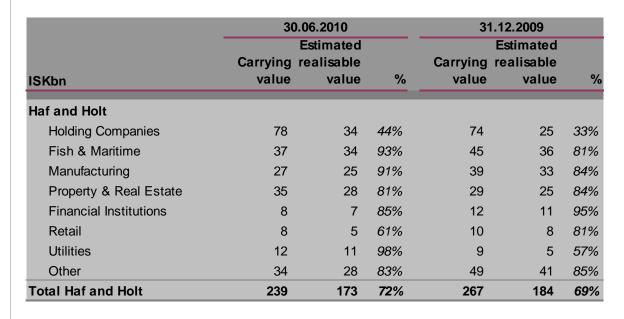
F: Luxembourg update



ISKbn	Carrying value as at 30.06.2010	Estimated realisable value as at 30.06.2010	Carrying value as at 31.12.2009	Estimated realisable value as at 31.12.2009
Underlying net assets in subsidiary				
Property Ioan portfolio	126	81	149	91
Other assets	1	1	1	1
	127	82	151	92
SPV position				
Haf	129	95	169	91
Holt	109	78	138	93
Holm	21	13	25	8
	259	186	332	193
Cash residing in SPVs		6		5
Obligation to CBL		(81)		(125)
Total investment in subsidiaries		194		165

- The value attributed to Glitnir Luxembourg is principally 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 estimated realisable value of the property loan portfolio has reduced due to principal repayments and the negative impact of FX movements. The estimated recovery percentage of the portfolio has increased from 61% to 64%;
 - the estimated realisable value of the three SPVs (Haf, Holt and Holm) have increased; and
 - the CBL obligation has reduced as a result of repayments made during the period.

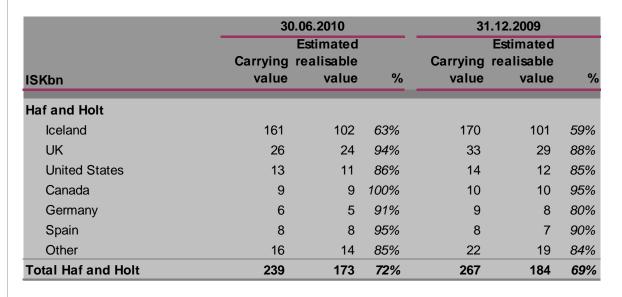
F: Luxembourg update – analysis of Haf and Holt





- The overall recovery percentage of the Haf and Holt portfolios has increased from 69% as at 31 December 2009 to 72% as at 30 June 2010.
- The composition of the Haf and Holt portfolios in relation to industry sector broadly mirrors that in the Glitnir portfolio.

F: Luxembourg update – analysis of Haf and Holt





- The geographical composition of the Haf and Holt portfolio broadly mirrors that of the Glitnir loans to customers portfolio.
- Iceland represents the most significant portion of the portfolio.
- The geographical mix of the portfolio has remained broadly stable during the six month period to 30 June 2010.

F: Luxembourg update – analysis of Haf and Holt

	30	30.06.2010			31.12.2009		
		Estimated			Estimated		
	Carrying	realisable		Carrying	realisable		
ISKbn	value	value	%	value	value	%	
Haf and Holt							
EUR	92	69	75%	106	74	70%	
USD	50	38	76%	59	44	75%	
GBP	25	19	75%	31	23	76%	
ISK	26	9	37%	24	9	38%	
CHF	18	13	72%	19	12	64%	
JPY	12	10	86%	11	8	72%	
CAD	11	11	99%	11	10	93%	
Other	5	4	68%	6	3	60%	
Total Haf and Holt	239	173	72%	267	184	69%	



 The currency mix of the Haf and Holt portfolios has remained broadly stable over the six month period to 30 June 2010.

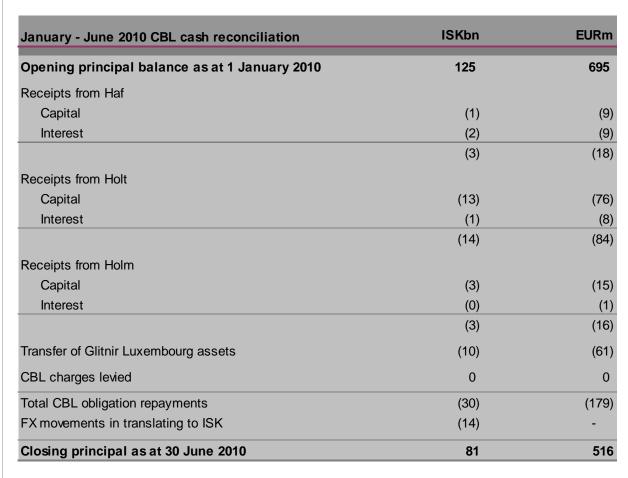
F: Luxembourg update – analysis of Haf and Holt

	30.0	06.2010		31.12.2009			
	-	Estimated			Estimated		
	Carrying r	Carrying realisable			realisable		
ISKbn	value	value	%	value	value	%	
Haf and Holt							
Α	64	63	98%	66	62	93%	
В	40	34	86%	66	53	81%	
С	28	24	87%	30	26	87%	
D	31	24	79%	25	17	69%	
E	36	25	70%	40	24	60%	
F	40	2	5%	40	2	5%	
Total Haf and Holt	239	173	72%	267	184	69%	



 The Haf and holt portfolios are generally of a higher quality than those in the Glitnir loans to customers portfolio. As a result, the risk rating analysis tends to be of a higher rating.

F: Luxembourg update – summary cash flow





- The adjacent table summarises the cash movements against the CBL obligation in the six months to 30 June 2010. Amounts have been translated from EUR into ISK at the average FX rate for the period.
- The principal source of the repayments is from the three SPVs which in aggregate generated EUR118m of cash during the period.
- The EUR61m of transfer from Glitnir
 Luxembourg assets relates to cash generated from the property portfolio within Glitnir
 Luxembourg.
- Cash flow amounts in ISK have been translated at the average FX rate for the period, and so should be seen as indicative only.

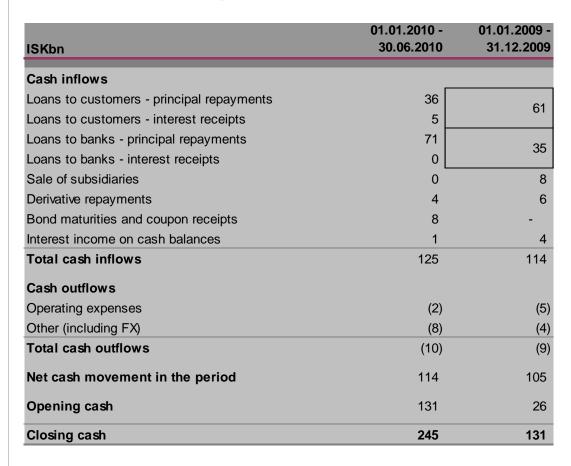


F: Luxembourg update – progress against CBL repayment plan

EURm	Per CBL repayment plan	Per CBL repayment plan (cumulative)	Actual payments made	Actual payments made (cumulative)
Obligation to CBL - repayment profile				
2009	157	157	351	351
2010	157	314	179	530
2011	209	523		
2012	261	784		
2013	261	1,045		
Total	1,045	1,045	530	530

- The above table sets out the repayment plan to the CBL, as extracted from the agreement with the CBL dated 4 March 2009. All amounts are in EUR.
- Under the repayment plan, EUR314m is due to be rapid by the end of 2010. Total actual payments made by 30 June 2010 were EUR530m.
- 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.

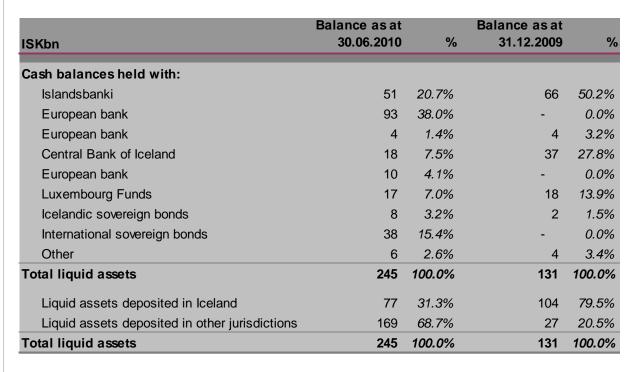
G: Cash flow analysis





- The adjacent table summarises Glitnir's cash flow for the six months to 30 June 2010. The cash flow is for Glitnir only, and so does not take account of cash flows arising in Glitnir Luxembourg or GLB Holding.
- The principal cash flow during the period related to loan repayments, most significantly the two repayments totalling ISK71bn from Glitnir's former subsidiary.
- During the period, Glitnir received cash totalling ISK8bn in respect of certain sovereign and corporate bond maturities.
- As detailed previously, Glitnir settled with certain derivative counterparties during the period for cash totalling ISK4bn.
- The most significant cash outflow related to the negative impact of foreign currency movements on cash balances.
 Further details regarding the currency split are shown on the following pages.

G: Cash balance analysis





- There have been various movements in the location of Glitnir's cash deposits over the six month period to 30 June 2010. This is as a result of the finalisation of the claims registration period in December 2009, whereby the Resolution Committee now has greater visibility of Glitnir's creditor base and, therefore, where cash can be deposited.
- As a result of these changes, the percentage of cash deposited in Iceland has reduced from 80% to 31%, in line with the Resolution Committee's liquidity strategy.

G: Cash balance analysis

ISKbn	Balance as at 30.06.2010	%	Balance as at 31.12.2009	%
Cash balances held by currency				
EUR	99	40.3%	31	23.6%
USD	77	31.4%	48	36.8%
ISK	26	10.7%	20	15.5%
NOK	16	6.3%	11	8.2%
GBP	15	6.1%	12	9.3%
CAD	9	3.7%	5	4.1%
DKK	1	0.6%	2	1.3%
Other	2	1.0%	2	1.2%
Total liquid assets	245	100.0%	131	100.0%



- The adjacent table sets out the currency analysis of Glitnir's cash portfolio as at 31 December 2009 and 30 June 2010.
- Over the six month period to 30 June 2010, there has been a move to increase the proportion of cash held in EUR, with a corresponding decrease in the proportion of cash being held in USD, ISK and NOK.

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H: Liabilities analysis

- 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 total ISK510bn and relate to:
 - where claims are considered to be errors or duplications, or claims from Glitnir Luxembourg and the two SPVs (Haf and Holt). The total amount for these adjustments is ISK359bn; or
 - where claims have been rejected by the Winding-Up Board and no objections have been received, or where claims have been withdrawn. The total amount for these adjustments is ISK151bn.
- 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 2 December 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 30 June 2010 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.

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H: Liabilities analysis

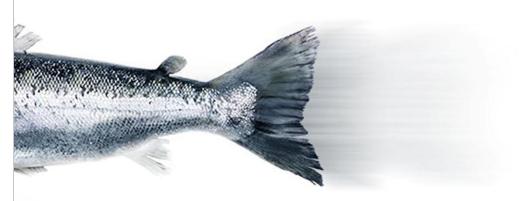
ISKbn	Article no.	Claimed amounts	Adjustments	Adjusted claimed amounts	Estimated set-	Estimated liabilities after set-off as at 30.06.2010	Estimated liabilities after set-off as at 31.12.2009
Third party assets	109	33	(1)	32	(9)	23	
Approval Costs	110	25	(1)	25	-	25	
Secured	111	46	(8)	37	(11)	27	
Priority	112	259	(90)	169	(4)	165	
Unsecured	113	2,971	(349)	2,623	(68)	2,555	
Defered	114	106	(62)	45	(2)	42	
Total		3,440	(510)	2,930	(93)	2,837	2,973



Operating expenses analysis

ISKm	Q1 2010	Q2 2010	Total for the six months to 30 June 2010	Jan - June 2010 budget	Variance to budget
Operating expenses					
Salaries and salary related costs	125	129	254	328	73
RC and WUB costs	103	89	191	250	58
Islandsbanki service agreement	112	92	204	318	114
External legal adviser costs	334	521	855	319	(536)
Other external adviser costs	300	356	655	641	(15)
Other expenses	60	54	113	83	(30)
Total operating expenses	1,032	1,240	2,272	1,938	(335)

- 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) for the six months to 30 June 2010.
- Key trends include:
 - staff costs are 22% below budget as headcount is below the number included within the original budget;
 - costs associated with the Resolution Committee and Winding-Up Board are 23% below budget as one member of each has left during the period;
 - costs relating to the service agreement with ISB are below budget as VAT amounts are not included in these costs, as originally envisaged in the budget; and
 - legal advisor costs are significantly over budget due to the costs related to the litigation recoveries and claims registration processes,.





Appendices

- 1. Glossary of terms
- 2. Supplementary notes to financial information
- 3. Valuation methodology
- 4. Foreign exchange rates

Glossary of terms



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 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



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 30 June 2010. 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 standalone company accounts.
- The reported liabilities as at 30 June 2010 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.

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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 ISK throughout (with certain supporting analyses in EUR), with asset values translated at the mid rates published by the Icelandic Central Bank for 30 June 2010 (see Appendix 4). A significant proportion of the assets and liabilities of Glitnir are denominated in foreign currencies. As a result, the estimated asset values and the computation of liabilities presented here in ISK may be materially impacted by future movements in foreign exchange rates. Comparative balances as at 31 December 2009, 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.



Supplementary notes to financial information

2. Limitations (continued)

Estimated value (continued)

• An agreement between Glitnir and the Icelandic government was reached regarding the recapitalisation of Islandsbanki. As part of this agreement, Glitnir has taken a 95 percent shareholding in Islandsbanki. For the financial information presented as at 30 June 2010 and 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.



Supplementary notes to financial information

3. Balances subject to set-off

- As at 30 June 2010 and 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.



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	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	

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 30 June 2010. 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.

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Valuation methodology

1. Loans to customers and banks (continued)

Risk categorisation for loans to customers

Risk weighting	Indicative categorisation factors
А	Performing on or close to budget.No covenant breaches.
В	 Loans with a reasonable chance of encountering difficulty in the near term. Yet to breach covenant or miss interest or debt repayment.
С	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.
Е	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.

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.

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 30 June 2010 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 30 June
 2010 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.

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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.

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Foreign exchange rates

Currency	15 November 2009	31 December 2008	22 April 2000	20 June 2000	31 December 2009	30 June 2010
			22 April 2009			
EUR	171	169.97	168.76	179.41	179.88	156.75
USD	134.64	120.87	130.4	127.01	124.9	127.62
GBP	199.6	175.43	190.62	210.95	201.6	191.87
CAD	110.56	99.12	105.16	110.19	119.04	121.58
DKK	22.961	22.809	22.656	24.091	24.172	21.042
NOK	19.374	17.296	19.258	19.855	21.672	19.721
SEK	17.057	15.558	15.284	16.567	17.515	16.456
CHF	113.2	113.92	111.680	117.62	121.26	118.15
JPY	1.3862	1.3398	1.3319	1.3254	1.3516	1.4402

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