Glitnir banki hf.

Statement of Assets and Liabilities

Incorporating an estimate of the value of assets as at 31 December 2010 and a computation of liabilities

11 March 2011

Disclaimer

This document includes a Statement of Assets and Liabilities as at 31 December 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.

The use of Glitnir’s material, works or trademarks is forbidden without written consent except were otherwise expressly stated. Furthermore, it is prohibited to publish material made or gathered by Glitnir without written consent.

The Statement of Assets and Liabilities has been prepared by the Resolution Committee and Winding-Up Board with the assistance of Deloitte LLP (“Deloitte”). Deloitte accepts no duty of care to any party other than Glitnir for its assistance in the preparation of the Statement of Assets and Liabilities. Deloitte has assisted the Resolution Committee in preparing the format of this Statement of Assets and Liabilities and documenting the assumptions and accounting policies used as set out in the Notes. Deloitte has not conducted an audit of the Statement of Assets and Liabilities and Notes nor has Deloitte conducted any verification of the underlying financial data. Deloitte does not have any responsibility for, nor has it formed an independent view on, the assumptions made by the Resolution Committee or the estimates of recoverable amounts represented in the Statement of Assets and Liabilities and Notes. The assumptions and estimates incorporated in the Statement of Assets and Liabilities and Notes remain the sole responsibility of the Resolution Committee.


EURO
20

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 31 December 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. Further details regarding Glitnir's FX strategy were published on its website on 22 September 2010.

- Glitnir's liabilities are denominated in ISK based upon the foreign exchange rate for 22 April 2009. As a result, the eventual amount of ISK liabilities will be determined by the claims determination process and will not be subject to exchange rate movement. 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 31 December 2010.

- Certain numerical information and other amounts and percentages presented in the Statement of Assets and Liabilities may not total due to rounding. In addition, certain figures have been rounded to the nearest whole number.

- 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 2010 and 31 December 2009.

- The Statement of Assets and Liabilities is unaudited. KPMG hf., as external auditor to Glitnir, has completed its audit of Glitnir's financial statements for the twelve months ended 31 December 2010. Copies of the financial statements are available on Glitnir's website.


EURO
20

Statement of Assets and Liabilities

GLITNIR

Estimated value of assets and computation of liabilities	ISKbn				EURm			
	31.12.2010	30.06.2010	31.12.2009	Movement 30.06.2010 - 31.12.2010	31.12.2010	30.06.2010	31.12.2009	Movement 30.06.2010 - 31.12.2010
Assets								
Loans to customers	143	157	197	*(9)%*	927	1,000	1,097	*(7)%*
Loans to banks	4	6	89	*(33)%*	25	37	493	*(31)%*
Derivatives	23	25	45	*(8)%*	152	162	252	*(6)%*
Bonds and debt instruments	7	7	11	*(2)%*	44	44	59	*(0)%*
Shares and equity investments	46	52	45	*(12)%*	298	331	251	*(10)%*
Investment in subsidiaries	332	320	289	*4%*	2,161	2,038	1,609	*6%*
Cash and cash equivalents	259	245	131	*6%*	1,685	1,566	730	*8%*
Other assets	0	0	0	*183%*	2	1	1	*189%*
Total assets [1]	814	812	808	*0%*	5,295	5,179	4,493	*2%*
Liabilities								
Third party assets	22	23	33	*(8)%*	140	149	184	*(6)%*
Approval costs	3	25	25	*(90)%*	17	157	137	*(89)%*
Secured claims	27	27	29	*0%*	173	170	162	*2%*
Priority claims	154	165	168	*(6)%*	1,004	1,053	935	*(5)%*
Unsecured claims	2,542	2,555	2,612	*(0)%*	16,531	16,298	14,521	*1%*
Deferred claims	43	42	106	*0%*	277	271	587	*2%*
Other liabilities	1	-	-	*NA*	5	-	-	*NA*
Total liabilities [2]	2,791	2,837	2,973	*(2)%*	18,148	18,098	16,526	*0%*

1. 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 ISK750bn to ISK900bn (EUR4.8bn to EUR5.8bn). Due to the extent of the uncertainty and other factors that may change, the actual outcome may fall materially outside this range.
2. Attention is drawn to Note H, which contains details regarding certain claims for additional penalty interest not included in the liabilities shown above.

Statement of Assets and Liabilities

Key trends summary

Total assets

- Total assets have increased by ISK2bn from ISK812bn as at 30 June 2010 to ISK814bn as at 31 December 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 investment in subsidiaries of ISK23bn, driven by an increase in the valuations of Islandsbanki and the assets underlying the investment in Glitnir Luxembourg; offset by
  - the negative impact arising from movements in FX rates, principally the strengthening of the ISK against various currencies (USD, GBP and EUR). The Resolution Committee estimates the total net impact of movements in FX rates to be ISK28bn.
- Total assets in EUR have increased from EUR5,179m to EUR5,295m over the period, a more significant increase than in ISK. The key driver for this increase (in addition to those listed above) related to the weakening of the Euro against various currencies during the period. Approximately 23% of assets are held in Euro as at 31 December 2010.
- Glitnir's cash balance has increased by ISK14bn from ISK245bn as at 30 June 2010 to ISK259bn as at 31 December 2010. This was driven by principal and interest repayments received from the loans portfolio to customers.

Total liabilities

- As a result of the Winding-Up Board's continuing work on registered claims, certain adjustments have been made to the 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 ISK46bn since 30 June 2010 to ISK2,791bn as at 31 December 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 31 December 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.

Statement of Assets and Liabilities

Summary reconciliation – 6 months ending 31 December 2010

Reconciliation of movement in assets

ISKbn	Balance as at 30.6.2010	Cash movements	FX movements	Changes in valuation	Changes in netting assumptions	Balance as at 31.12.2010
Assets						
Loans to customers	157	(21)	(5)	11	-	143
Loans to banks	6	(2)	0	0	-	4
Derivatives	25	(2)	(0)	(0)	0	23
Bonds and debt instruments	7	-	(0)	0	-	7
Shares and equity investments	52	1	(3)	(4)	-	46
Investment in subsidiaries	320	-	(10)	23	-	332
Cash and cash equivalents	245	23	(10)	-	-	259
Other assets	0	-	-	-	-	0
Total assets	812	(1)	(28)	31	0	814

- The above table shows an estimate of the key factors affecting the movement in estimated realisable value of Glitnir’s asset portfolio between 30 June 2010 and 31 December 2010.
- Details regarding the movements shown in the table are provided later in this document in the relevant asset class note.

Statement of Assets and Liabilities

Summary reconciliation – 12 months ending 31 December 2010

Reconciliation of movement in assets ISKbn	Balance as at 31.12.2009	Cash movements	FX movements	Changes in valuation plus interest	Changes in netting assumptions	Balance as at 31.12.2010
Assets						
Loans to customers	197	(62)	(15)	23	-	143
Loans to banks	89	(73)	(7)	0	(5)	4
Derivatives	45	(6)	(1)	(11)	(5)	23
Bonds and debt instruments	11	(7)	(0)	5	(1)	7
Shares and equity investments	45	1	(5)	4	-	46
Investment in subsidiaries	289	-	(20)	63	-	332
Cash and cash equivalents	131	146	(18)	-	-	259
Other assets	0	-	-	0	-	0
Total assets	808	(2)	(66)	85	(11)	814

- 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 31 December 2010.

Statement of Assets and Liabilities

Summary foreign currency analysis

Foreign Currency Analysis as at 31 December 2010										
ISKbn	**EUR**	**ISK**	**NOK**	**USD**	**GBP**	**CAD**	**DKK**	**CHF**	**Other**	**Total**
Loans to customers	18	6	63	24	17	8	2	4	1	143
Loans to banks	0	0	3	1	0	0	0	0	0	4
Derivatives	2	22	0	0	0	0	0	0	0	23
Bonds and debt instruments	1	3	0	0	3	0	0	0	0	7
Shares and equity instruments	0	7	1	2	32	2	0	0	1	46
Investment in subsidiaries	48	144	25	41	18	10	11	11	23	332
Cash and cash equivalents	121	28	24	59	14	9	3	0	1	259
Total assets	**189**	**210**	**115**	**127**	**85**	**29**	**17**	**16**	**26**	**814**
Percentage of total	23.2%	25.8%	14.2%	15.6%	10.4%	3.6%	2.0%	1.9%	3.3%	100%
Percentage of total (ISK without ISB)		12.0%								
Precentage of total 30.6.2010	18.2%	24.2%	14.0%	19.4%	12.4%	3.8%	3.4%	2.2%	2.3%	100%
Precentage of total (ISK without ISB)		11.3%								

- The above table shows the estimated split of Glitnir’s asset by currency as at 31 December 2010.
- The investment in Islandsbanki is assumed to be denominated solely in ISK (although the investment may not ultimately be monetised in whole in ISK). The estimated realisable value arising from Glitnir Luxembourg is denominated in the currencies of the underlying assets and liabilities.
- As previously disclosed, Glitnir’s foreign currency strategy is to keep the proceeds of asset monetisation in the currency of the asset pre-monetisation.


EURO
20

Asset / liability class analysis

A: Loans to customers – carrying value reconciliation

ISKbn	31.12.2010		30.6.2010	
Loans to customers - carrying value reconciliation				
Carrying value		825		866
Carrying value of pledged assets				
TRS	(152)		(156)	
Haf	(120)		(129)	
Holt	(102)		(109)	
		(374)		(394)
Carrying value of unpledged assets		**451**		**472**

- The carrying value refers to the value as recorded in the accounting records by Glitnir before any credit risk adjustments.
- The above table shows the carrying value of the loans to customers balance, both before and after the impact of pledged assets. As the table shows carrying value only, it does not reconcile to the estimated realisable value shown on the Statement of Assets and Liabilities.
- Pledged assets relate to the Haf and Holt SPVs, comprised of loans allocated to an ongoing repo agreement with the BCL, and loans previously sold under TRS agreements. The Haf and Holt SPVs are recorded as an asset within Investment in Subsidiaries, further detail is shown in Note F.
- The carrying value of the pledged assets within Haf and Holt has decreased as the loans contained within the SPVs have been paid down during the period. The carrying value of TRS loans has changed due to FX movements only.

Asset / liability class analysis

A: Loans to customers – industry analysis

ISKbn	31.12.2010 Carrying value	31.12.2010 Estimated realisable value	31.12.2010 %	30.06.2010 Carrying value	30.06.2010 Estimated realisable value	30.06.2010 %
Loans to Customers after set-off						
Holding Companies	255	9	4%	252	10	4%
Offshore & Transport service	69	66	95%	79	74	93%
Manufacturing	32	22	69%	39	25	64%
Property & Real Estate	30	4	14%	34	6	17%
Seafood	23	17	75%	25	19	76%
Retail	14	8	56%	13	7	53%
Financial Institutions	9	5	56%	9	5	51%
Utilities	1	1	91%	1	0	75%
Other	18	10	58%	20	11	57%
Total loans to Customers	**451**	**143**	**32%**	**472**	**157**	**33%**

- Loans to holding companies remained the largest proportion of the portfolio by carrying value (57%).
- Offshore and Transport service remained the largest proportion of the portfolio by estimated realisable value (46%).
- The categorisation of individual loans was reviewed during the period. As a result, comparative values in the adjacent table may differ to that shown in the 30 June 2010 Statement.

Asset / liability class analysis

A: Loans to customers – geographical analysis

ISKbn	31.12.2010 Carrying value	31.12.2010 Estimated realisable value	31.12.2010 %	30.06.2010 Carrying value	30.06.2010 Estimated realisable value	30.06.2010 %
Loans to Customers after set-off						
Iceland	286	10	4%	291	14	5%
Norway	89	80	90%	96	86	90%
United States	18	10	54%	20	12	59%
UK	22	21	92%	23	21	90%
Germany	8	3	38%	14	6	42%
Canada	13	8	67%	15	11	74%
Denmark	4	2	36%	5	2	32%
Other	11	9	84%	8	6	73%
Total Loans to Customers	**451**	**143**	**32%**	**472**	**157**	***33%***

- The adjacent analysis shows 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 continued to represent the most significant portion of the portfolio (56% as at 31 December 2010).
- The categorisation of individual loans was reviewed during the period. As a result, comparative values in the adjacent table may differ to that shown in the 30 June 2010 Statement.

Asset / liability class analysis

A: Loans to customers – currency analysis

	31.12.2010			30.06.2010		
ISKbn	Carrying value	Estimated realisable value	%	Carrying value	Estimated realisable value	%
Loans to Customers after set-off						
ISK	137	6	5%	136	5	4%
EUR	98	18	18%	106	20	19%
NOK	68	63	93%	73	69	95%
USD	37	24	64%	44	28	64%
GBP	31	17	55%	32	17	53%
Other	80	15	18%	82	18	22%
Total Loans to Customers	**451**	**143**	**32%**	**472**	**157**	**33%**

- By estimated realisable value, the proportion of the loans to customers portfolio denominated in the five main currencies (ISK, EUR, NOK, USD and GBP) remained broadly stable.
- NOK continued to be the most significant currency with approximately 44% of estimated realisable value as at 31 December 2010.
- The most significant currencies shown within 'Other' are CHF, CAD and JPY.

Asset / liability class analysis

A: Loans to customers – risk categorisation analysis

ISKbn	31.12.2010 Carrying value	31.12.2010 Estimated realisable value	31.12.2010 %	30.06.2010 Carrying value	30.06.2010 Estimated realisable value	30.06.2010 %
Loans to Customers after set-off						
A	93	89	96%	107	102	96%
B	8	7	78%	7	6	78%
C	8	7	87%	11	9	83%
D	11	8	73%	21	12	57%
E	91	27	30%	118	24	20%
F	241	6	2%	207	4	2%
Total Loans to Customers	**451**	**143**	**32%**	**472**	**157**	**33%**

- 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 2010, and as detailed in the Appendices.
- Glitnir's loans to customer assets are generally of a lower quality than those in the Haf and Holt. As a result, the risk rating analysis tends to be of a lower rating.

Asset / liability class analysis

B: Loans to banks analysis

ISKbn	Estimated realisable value as at 31.12.2010	Estimated realisable value as at 30.6.2010
Loans to Banks		
Recorded balance sheet amount	47	48
Loans subject to set-off	(43)	(42)
	4	6
Net loans to Icelandic counterparties	0	0
Net loans to international counterparties	4	4
Net loans to former subsidiaries	0	2
Total Loans to Banks	**4**	**6**

ISKbn	Estimated realisable value as at 31.12.2010	Estimated realisable value as at 30.6.2010
Loans to Banks		
USD	1	1
NOK	3	5
EUR	0	0
Other	0	0
Total Loans to Banks	**4**	**6**

- 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 aggregate balance has decreased by ISK2bn as a result of cash proceeds received on the NOK denominated portion of the portfolio.

Asset / liability class analysis

C: Derivatives overview

ISKbn	Estimated value of derivative asset as at 31.12.2010	Estimated value of derivative asset as at 30.6.2010
Domestic counterparties		
Pension funds	12	15
Investment companies	4	1
Banks and other financial institutions	0	0
Seafood industry	2	1
Public bodies	2	2
Other companies	1	2
Individuals	0	0
Total domestic counterparties	21	21
International counterparties		
Banks and other financial institutions	2	4
Seafood industry	0	0
Other companies	0	0
Total international counterparties	**2**	**4**
Total derivative assets	**23**	**25**

- The adjacent table summarises the estimated value of Glitnir's derivative assets as at 31 December 2010 and 30 June 2010.
- Total derivative assets have declined by ISK2bn over this period as a result of:
  - cash received as a result of the settlement of certain counterparties; and
  - certain positions were transferred to loans to customers or equity as a result of settlement agreements with the counterparties.
- The following pages provide further detail on the domestic and international counterparties.

Asset / liability class analysis

C: Derivatives analysis: domestic counterparties

ISKbn	Estimated value of derivative asset as at 31.12.2010	Recovered funds 01.07.2010 - 31.12.2010
Domestic counterparties		
Pension funds	12.5	0
Investment companies	3.8	1.8
Banks and other financial institutions	0.0	0.1
Seafood industry	1.8	0.1
Public bodies	2.3	0.0
Other companies	0.6	2.2
Individuals	0.0	0.1
Total domestic counterparties	21.0	4.3

- 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 pension funds, investment companies, banks, seafood businesses, public bodies and individuals. As at 31 December 2010, Glitnir has recorded a net derivative asset position of ISK21bn, made up of 170 counterparties.

- To date, the bank has focussed on the maximisation of recovery value from domestic derivatives. Of the domestic counterparties, Glitnir has settled with 38, 31 of which have been settled in cash, and seven in the form of a loan or equity. The recovered funds column in the adjacent table above relates to those amounts settled in cash, loan or equity during the period from 1 July 2010 to 31 December 2010.
- As the domestic counterparties were not undertaken under the ISDA framework, there is no fixed settlement mechanism behind the settlement of the relevant derivative claims. As a result, the settlement process is relatively time consuming, as it is considered on a counterparty by counterparty basis.
- Furthermore, relying upon domestic Market Terms as part of the settlement process raises various significant issues which have yet to be resolved (for example, the date at which to value certain of the derivative contracts).
- In the majority of the 146 cases that remain to be settled, however, Glitnir is already in the process of negotiating with the counterparty or has reached a point where it is clear that the settlement will be disputed before the Icelandic courts.

Asset / liability class analysis

C: Derivatives analysis: international counterparties

ISKbn	Estimated value of derivative asset as at 31.12.2010	Recovered funds 01.07.2010 - 31.12.2010
International conterparties		
Banks and other financial institutions	1.9	0.2
Seafood industry	0.4	0.0
Other companies	0.1	0.0
Total international counterparties	2.4	0.2

- There are 69 derivative counterparties under ISDA contracts, including one domestic counterparty. The counterparties are split between banks, other financial institutions and seafood companies. As at 31 December 2010, Glitnir has recorded a net derivative asset position of ISK2bn, made up of 6 counterparties.
- To date, the bank has focussed on the maximisation of recovery value from ISDA derivatives. All counterparties with a material estimated recoverable value are currently being worked on by Glitnir. This work has included the completion of all initial calculations and detailed review of legal documentation. The recovered funds column in the adjacent table above relates to those amounts settled in cash, loan or equity during the period from 1 July 2010 to 31 December 2010.

Asset / liability class analysis

D: Bonds and debt instruments analysis

ISKbn	Estimated realisable value as at 31.12.2010	Estimated realisable value as at 30.6.2010
Bonds and debt instruments		
Recorded Balance Sheet amount	23	23
Amounts subject to set-off to Icelandic banks	(16)	(16)
Total bonds and debt instruments	**7**	**7**

ISKbn	Estimated realisable value as at 31.12.2010	Estimated realisable value as at 30.6.2010
Bonds and debt instruments		
Icelandic sovereign	3	2
International	4	4
Other Icelandic	0	1
Total bonds and debt instruments	**7**	**7**

- The value of bond positions with Icelandic sovereign and international counterparties has increased as a result of accrued interest.

Asset / liability class analysis

E: Shares and equities analysis

ISKbn	Estimated realisable value as at 31.12.2010	Estimated realisable value as at 30.06.2010
Equities		
Listed equities	2	2
Unlisted equities	43	50
Total Equities	**46**	**52**
UK	32	39
Iceland	6	4
Norway	1	0
USA	1	1
Sweden	0	0
Denmark	0	1
Canada	2	2
Other	4	4
Total Equities	**46**	**52**

- The estimated realisable value of shares and equity positions within Glitnir decreased from ISK52bn to ISK46bn over the six months to 31 December 2010 as a result of:
  - reductions in the valuation of certain equity holdings, principally in relation to the UK; offset by
  - increases in equity holdings as a result of certain debt for equity swaps.

Asset / liability class analysis

F: Investment in subsidiaries analysis

ISKbn	Country	Estimated value of underlying net assets as at 31.12.2010	Estimated value of underlying net assets as at 30.06.2010
GLB Holding	Iceland		
ISB Holding (Íslandsbanki)		112	105
SAT Holding (Sjóvá)		1	1
Other subsidiaries of GLB Holding		1	0
Other assets		18	19
Total GLB Holding		133	125
Other subsidiaries of Glitnir bank	Sweden	0	0
Glitnir Luxembourg S.A.	Luxembourg	199	194
Total investments in subsidiaries		332	320

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

Asset / liability class analysis

F: Luxembourg update

ISKbn	Carrying value as at 31.12.2010	Estimated realisable value as at 31.12.2010	Carrying value as at 30.06.2010	Estimated realisable value as at 30.06.2010
Underlying net assets in subsidiary				
Property loan portfolio	119	83	126	81
Other assets	2	2	1	1
	121	85	127	82
SPV activity				
Haf	120	92	129	95
Holt	102	67	109	78
Holm	19	11	21	13
	240	170	259	186
Cash residing in SPVs		9		6
Obligation to BCL		(65)		(81)
Total Glitnir Luxembourg		199		194

- 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 increased by ISK2bn due to improvements in the quality of the portfolio;
  - the estimated realisable value of the three SPVs (Haf, Holt and Holm) have decreased due to cash repayments; and
  - the BCL obligation has reduced as a result of repayments made during the period.

Asset / liability class analysis

F: Luxembourg update – analysis of Haf and Holt

ISKbn	31.12.2010 Carrying value	31.12.2010 Estimated realisable value	31.12.2010 %	30.06.2010 Carrying value	30.06.2010 Estimated realisable value	30.06.2010 %
Haf and Holt						
Holding Companies	71	26	37%	78	34	44%
Fish & Maritime	33	32	96%	37	34	92%
Manufacturing	18	17	96%	27	25	93%
Property & Real Estate	34	27	78%	35	28	80%
Financial Institutions	8	8	91%	8	7	88%
Retail	7	4	61%	8	5	63%
Utilities	11	11	100%	12	11	92%
Other	39	34	86%	34	28	82%
Total Haf and Holt	**222**	**159**	**72%**	**239**	**173**	**72%**

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

Asset / liability class analysis

F: Luxembourg update – analysis of Haf and Holt

ISKbn	31.12.2010 Carrying value	31.12.2010 Estimated realisable value	31.12.2010 %	30.06.2010 Carrying value	30.06.2010 Estimated realisable value	30.06.2010 %
Haf and Holt						
Iceland	154	97	63%	161	102	63%
UK	24	21	88%	26	24	92%
United States	9	8	93%	13	11	85%
Canada	7	7	100%	9	9	100%
Germany	5	5	94%	6	5	83%
Spain	6	6	100%	8	8	100%
Other	16	14	89%	16	14	88%
Total Haf and Holt	**222**	**159**	**72%**	**239**	**173**	**72%**

- 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 (61% of estimated realisable value as at 31 December 2010).
- The geographical mix of the portfolio has remained broadly stable during the six month period to 31 December 2010.

Asset / liability class analysis

F: Luxembourg update – analysis of Haf and Holt

ISKbn	31.12.2010 Carrying value	31.12.2010 Estimated realisable value	31.12.2010 %	30.06.2010 Carrying value	30.06.2010 Estimated realisable value	30.06.2010 %
Haf and Holt						
EUR	94	72	76%	92	69	75%
USD	42	35	83%	50	38	76%
GBP	23	16	68%	25	19	76%
ISK	27	9	32%	26	9	35%
CHF	16	10	66%	18	13	72%
JPY	10	9	88%	12	10	83%
CAD	7	7	100%	11	11	100%
Other	3	2	50%	5	4	1
Total Haf and Holt	**222**	**159**	**72%**	**239**	**173**	**72%**

- The currency mix of the Haf and Holt portfolios has remained broadly stable over the six month period to 31 December 2010.
- EUR represents the most significant portion of the portfolio (45% of estimated realisable value as at 31 December 2010).

Asset / liability class analysis

F: Luxembourg update – analysis of Haf and Holt

ISKbn	31.12.2010 Carrying value	31.12.2010 Estimated realisable value	31.12.2010 %	30.06.2010 Carrying value	30.06.2010 Estimated realisable value	30.06.2010 %
Haf and Holt						
A	51	51	99%	64	63	98%
B	51	43	84%	40	34	86%
C	9	9	92%	28	24	87%
D	24	20	85%	31	24	79%
E	46	35	75%	36	25	70%
F	40	1	3%	40	2	5%
Total Haf and Holt	**222**	**159**	**72%**	**239**	**173**	**72%**

- 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.

Asset / liability class analysis

F: Luxembourg update – summary cash flow

July - December 2010 CBL cash reconciliation	ISKbn	EURm
Opening principal balance as at 1 July 2010	**81**	**516**
Receipts from Haf		
Capital	(2)	(16)
Interest	(1)	(10)
	(4)	(25)
Receipts from Holt		
Capital	(6)	(36)
Interest	(1)	(7)
	(7)	(43)
Receipts from Holm		
Capital	(1)	(5)
Interest	(0)	(1)
	(1)	(6)
Transfer of Glitnir Luxembourg assets	(5)	(31)
CBL Charges levied	2	10
Total CBL obligation repayments	**(15)**	**(94)**
FX movements on translating to ISK	(1)	-
Closing principle as at 31 December 2010	**65**	**422**

- The adjacent table summarises the cash movements against the BCL obligation for the six months to 31 December 2010. Amounts have been translated from EUR into ISK at the average FX rate for the period, and so should be seen as indicative only.
- The principal source of the repayments is from the three SPVs which in aggregate generated EUR73m of cash during the period.
- The EUR31m of transfer from Glitnir Luxembourg assets relates to cash generated from the property portfolio within Glitnir Luxembourg.

Asset / liability class analysis

F: Luxembourg update – progress against BCL repayment plan

EURm	Per BCL repayment plan	Per BCL repayment plan (cumulative)	Actual payments made	Actual payments (cumulative)
Obligation to BCL				
Repayment profile				
2009	157	157	351	351
2010	157	314	272	623
2011	209	523		
2012	261	784		
2013	261	1,045		
Total	**1,045**	**1,045**	**623**	**623**

- The above table sets out the repayment plan to the BCL, as extracted from the agreement with the BCL dated 4 March 2009. All amounts are in EUR.
- Under the repayment plan, EUR314m was due to be repaid by the end of 2010. Total actual payments made up to 31 December 2010 were EUR623m (i.e. repayments are EUR 309m ahead of schedule) .
- Early repayment of the BCL 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

ISKbn	01.07.2010 - 31.12.2010	01.01.2010 - 31.12.2010
Cash inflows:		
Loans to customers - principal repayments	20	56
Loans to customers - interest reciepts	7	12
Loans to banks - principal repayments	2	73
Loans to banks - interest reciepts	0	0
Proceeds from sale of subsidiaries	1	1
Derivatives repayments	2	6
Bonds maturities and coupon receipts	0	8
Interest income on cash balance	1	2
Total cash inflows	**34**	**159**
Cash outflows:		
Operational costs	(2)	(5)
Principal loans to customers - new loan	(6)	(6)
Other	(1)	(2)
Total cash outflows	**(9)**	**(13)**
Total cash movement	**24**	**146**
FX	(10)	(18)
Opening cash balance	244	131
Closing cash balance	**259**	**259**

- The adjacent table summarises Glitnir's cash flow for the six and twelve months to 31 December 2010. The cash flow is for Glitnir only, and therefore does not take account of cash flows arising in Glitnir Luxembourg or GLB Holding.
- The most significant cash inflows related to the repayment of principal and interest from loans to customers and banks. Other cash inflows related to derivative repayments, interest income and proceeds from sale of subsidiaries.
- The most significant decrease in cash related to the negative impact of foreign currency movements on cash balances. Further details regarding the currency split of Glitnir's cash and cash equivalents are shown on the following pages.

Asset / liability class analysis

G: Cash and cash equivalents

ISK Bn	Balance as at 31.12.2010	%	Balance as at 30.06.2010	%
Cash balance held with:				
Icelandic bank	35	13%	51	21%
European bank	70	27%	93	38%
European bank	3	1%	4	1%
Central Bank of Iceland	0	0%	18	7%
European bank	1	0%	10	4%
Luxembourg funds (Gov.bonds)	0	0%	17	7%
Icelandic Gov bonds	11	4%	8	3%
International Gov bonds	136	52%	38	15%
Other	4	1%	6	3%
Total cash and cash equivalents	**259**	**100%**	**245**	**100%**
Liquid asset deposited in Iceland	46	18%	77	31%
Liquid asset deposited in other jurisdictions	213	82%	169	69%
Total cash and cash equivalents	**259**	**100%**	**245**	**100%**
Total deposits	112	43%	182	74%
International Gov bonds	136	52%	55	22%
Icelandic Gov bonds	11	4%	8	3%
Total cash and cash equivalents	**259**	**100%**	**245**	**100%**

- The aim of the cash management strategy is to minimise risk within the portfolio until such time as Glitnir can commence distributions to creditors.
- Liquidity strategy is to have 10-30% of total cash and cash equivalents deposited in Iceland and 70-90% in other jurisdictions.
- Cash and cash equivalents deposited in Iceland has reduced from 31% as at 30 June 2010 to 18% as at 31 December 2010.
- The proportion of deposits in banks has reduced from 74% of cash and cash equivalents as at 30 June 2010 to 43% as at 31 December 2010.

Asset / liability class analysis

G: Cash and cash equivalents

ISKbn	Balance as at 31.12.2010	%	Balance as at 30.06.2010	%
Liquid assets in currencies				
ISK	28	10.6%	26	10.7%
USD	59	22.7%	77	31.4%
GBP	14	5.5%	15	6.1%
CAD	9	3.6%	9	3.7%
DKK	3	1.2%	1	0.6%
NOK	24	9.1%	16	6.3%
EUR	121	46.7%	99	40.3%
Other	1	0.6%	2	1.0%
Total cash and cash equivalents	259	100%	245	100%

- The adjacent table sets out the currency analysis of Glitnir's cash and cash equivalents portfolio as at 31 December 2010 and 30 June 2010.
- Glitnir has decided that the Bank s cash and cash equivalents will be maintained in the same currencies as assets are redeemed. Over the six month period to 31 December 2010, there has been a move to increase the proportion of cash held in EUR.

Asset / liability class analysis

H: Liabilities analysis

- The tables on the following page set out an analysis of the liabilities of the Bank as presented in the Statement of Assets and Liabilities.

- The first table includes the following amounts:
  - Claimed amounts – representing the amounts claimed by Glitnir's creditors and as presented at the first claims registration creditors' meeting on 17 December 2009;
  - Changes to the claims register – since 17 December 2009, certain amendments have been made to the claims register, principally in relation to correction of errors and where claims have been withdrawn;
  - Adjustments – this column includes (1) where claims have been rejected, withdrawn or closed with set-off or settlement; (2) where accepted priority claims have been paid; (3) where there were errors or duplications in the claims registration list; and (4) claims from Glitnir Luxembourg and the two SPVs (Haf and Holt) as Glitnir believes these claims will be withdrawn when the BCL obligation is fully repaid; and
  - Estimated set-off – a high level estimate of the set-off of the Bank, based upon a review of the claims register.

- The adjustments made above are preliminary estimates only and may be subject to material change in the future. The Winding-Up Board's work is continuing on the claims position of the Bank and further details will be disclosed at the next claims registration creditors' meeting on 14 April 2011.

- The Winding-Up Board's work regarding the claims registration process is continuing. As a result, there are certain material claims included in the liabilities included in the Statement of Assets and Liabilities as at 31 December 2010 that the Winding-Up Board does not expect to be ultimately settled. 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 the Statement of Assets and Liabilities as at 31 December 2010.

Asset / liability class analysis

H: Liabilities analysis

Unclear and disputed claims for additional penalty interest

- Some of Glitnir's creditors filed claims for contractual interest in the tables provided on the claim form but referred separately to a claim for penalty interest in an addendum to the claim form. Accordingly, because these claims were unclear and disputed, the additional amounts for penalty interest were not included when these creditors' claims were originally entered into the claims register. They total ISK 109,776 million, all in respect of unsecured claims. The Winding-Up Board has rejected other similar claims. No concerns have been raised by the creditors in question about how their claims were recorded in the claims register, but notwithstanding this the Winding-Up Board has decided that it is prudent to inform creditors that the said amounts are not included in the claims register.

Asset / liability class analysis

H: Liabilities analysis

ISKbn	Article no.	Claimed amounts	Changes to the claims registration	Claims registration	Adjustments	Adjusted claimed amounts	Estimated set-off	Estimated liabilities after set-off as at 31.12.2010	Estimated liabilities after set-off as at 30.06.2010
Third party assets	109	33	(0)	33	(3)	30	(9)	22	23
Approval Costs	110	25	(0)	25	(23)	3	-	3	25
Secured	111	41	(3)	37	(0)	37	(11)	27	27
Priority	112	258	(94)	164	(6)	158	(4)	154	165
Unsecured	113	2,973	(66)	2,908	(296)	2,612	(70)	2,542	2,555
Defered	114	106	1	106	(63)	43	(0)	43	42
Total		3,436	(163)	3,274	(391)	2,883	(93)	2,790	2,837

- The table below sets out an analysis of the Winding-Up Board's decisions to date together with an analysis of how many decisions are under conciliation as a result of being objected to.

ISKbn	Article no.	Adjusted claimed amount	Accepted	Rejected, subord. or Withdrawn	Decicions to be made	Under conciliation
Third party assets	109	33	-	28	5	29
Approval Costs	110	25	-	23	3	1
Secured	111	37	-	4	34	14
Priority	112	164	0	156	8	156
Unsecured	113	2,908	1,989	179	739	1,963
Defered	114	106	-	91	15	28
Total		3,274	1,989	481	803	2,190

Asset / liability class analysis

I: Operating expenses analysis

ISKm	Q1	Q2	Q3	Q4	Actual Jan-Dec 2010	Budget Jan-Dec 2010	Variance to budget
Salaries and salary related costs	93	102	93	112	401	702	(302)
RC and WUB fee	81	89	88	90	348	401	(52)
Islandsbanki service agreement	112	92	87	127	418	612	(194)
External legal services	355	521	412	426	1,714	704	1,010
Other external advisors	331	380	341	307	1,360	1,305	55
Other expenses	60	56	100	114	330	160	170
Total expenses	1,032	1,240	1,121	1,177	4,570	3,883	(686)

- 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 year ending 31 December 2010.
- Key trends include:
  - staff costs are ISK302m below budget as headcount is below the number included within the original budget;
  - costs associated with the Resolution Committee and Winding-Up Board are ISK52m below budget; and
  - legal advisor costs are significantly over budget due to the costs related to the litigation recoveries and claims adjudication processes.


EURO

Appendices

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

Appendix 1

Glossary of terms

Act	Act No. 125 / 2008
BCL	Banque centrale du Luxembourg
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.
NA	Not applicable
OTC	Over the counter
Repo	Sale and repurchase agreement
Resolution Committee	The Resolution Committee of Glitnir banki hf.
TRS	Total return swap
Winding-Up Board	The Winding-Up Board at Glitnir Banki hf.

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 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 stand-alone company accounts.
- The reported liabilities as at 31 December 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 also change.
- The Act No. 125 / 2008 (the “Act”) provides for claims for ‘deposits’ to have priority when distributing the assets of a bankrupt financial undertaking. It remains to be resolved which liabilities or deposits of 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 ISK throughout (with certain supporting analyses in EUR), with asset values translated at the mid rates published by the Icelandic Central Bank for 31 December 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 30 June 2010, 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.

Appendix 2

Supplementary notes to financial information

2. Limitations (continued)

Estimated value (continued)

- An agreement between Glitnir and the Icelandic government was reached regarding the recapitalisation of Islandsbanki. As part of this agreement, Glitnir has taken a 95 percent shareholding in Islandsbanki. For the financial information presented as at 31 December 2010 and 31 December 2009, the Resolution Committee has estimated the value of the shareholding in Islandsbanki based upon the projected performance of Islandsbanki 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 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 set-off 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 set-off

- 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 ISDA counterparties: Realisable value estimated based on an assumed close-out on 7 October 2008. Realisable value includes valuation adjustment for credit, valuation and legal uncertainties.
Derivative assets / liabilities Icelandic counterparties	For Icelandic counterparties: Realisable value estimated based on an assumed close-out at the earlier of transaction maturity and 22 April 2009. Realisable value includes valuation adjustment for credit, valuation and legal uncertainties.
Bonds and debt instruments	Realisable value based on directly or indirectly observable valuation inputs
Listed equities	Realisable value based on observable valuation inputs
Unlisted equities	Realisable value based on valuation inputs that are not quoted in markets that are active or for which significant inputs are not directly observable

Appendix 3

Valuation methodology

1. Loans to customers and banks

- The estimated values have been derived after consideration of 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 2010. Rather, such values are intended to represent the value of assets based on a longer term estimate of recoverable values.
- Within the risk categories the portfolio was subject to a high level review of borrower performance, collateral quality and subordination levels as well as a review of more general information about the economic outlook of each underlying sector. In the absence of specific indicators of a deterioration of value at a borrower level, default and recovery assumptions have been applied consistently.

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 set-off 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 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 31 December 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.

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 cash equivalents

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

Appendix 4

Foreign exchange rates

Currency	15 November 2008	31 December 2008	22 April 2009	30 June 2009	31 December 2009	30 June 2010	31 December 2010
EUR	171	169.97	168.76	179.41	179.88	156.75	153.8
USD	134.64	120.87	130.4	127.01	124.9	127.62	115.05
GBP	199.6	175.43	190.62	210.95	201.6	191.87	178.47
CAD	110.56	99.12	105.16	110.19	119.04	121.58	115.26
DKK	22.961	22.809	22.656	24.091	24.172	21.042	20.635
NOK	19.374	17.296	19.258	19.855	21.672	19.721	19.674
SEK	17.057	15.558	15.284	16.567	17.515	16.456	17.155
CHF	113.2	113.92	111.680	117.62	121.26	118.15	122.91
JPY	1.3862	1.3398	1.3319	1.3254	1.3516	1.4402	1.4143

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

Appendix 5

Income Statement

ISKm	01.01.2010 - 31.12.2010	01.01.2009 - 31.12.2009
Interest income	105,465	176,999
Interest expenses	(6)	(85,748)
Net interest income	**105,459**	**91,251**
Net impairment losses	(247,509)	(704,544)
Provision for financial guarantees	-	(126,570)
Subordinated loans rejected by the Winding-Up Board as unsecured claims	139,398	198,384
Net interest income less impairment losses and write-offs	**(2,652)**	**(541,479)**
Fee and commission income	763	729
Fee and commission expenses	(3)	(68)
Net fee and commission income	**760**	**661**
Net financial income and expenses	(91,463)	87,450
Other net operating income	6	-
Net operating income	**(93,349)**	**(453,368)**
Administrative expenses	(4,570)	(5,713)
Net gain (loss) on asset sale	1	968
Loss before income tax	**(97,917)**	**(458,113)**
Income tax	-	-
Loss for the year	**(97,917)**	**(458,113)**