Glitnir hf.

Financial Statements for the year ended 31 December 2012

Glitnir hf.
Sóltún 26
105 Reykjavík
Iceland

Reg. no. 550500-3530

Contents

Endorsement by the Winding-Up Board and Managing Director

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

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

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

To serve as Glitnir´s Board of Directors and exercise the rights and obligations formerly held by the Board and shareholders' meeting;

To administer Glitnir´s authorised activities under the supervision of the FME and the District Court of Reykjavík;

To work towards obtaining the maximisation of the value for the Company's assets, to ensure that the Company's assets and rights are disposed of in the most cost-effective manner, that claims and amounts on deposit are collected, that no rights are lost which could be of value and that all necessary actions are taken to prevent damage to the Company's interests;

To decide on creditor´s claims both by rank and amounts and ensure creditors are treated equally according to the law; and

To convene and direct creditors' meetings, as deemed suitable, to present the measures taken by the Winding-Up Board.

The aim of the Winding-Up Board was to launch a composition proposal to creditors by the end of 2012 and was expecting to have a composition meeting in January 2013. In November it was announced that the composition would not be launched in December 2012. In November 2012 a request was sent to the Central Bank of Iceland for approval of the composition proposal. Glitnir is waiting for response. The Winding-Up Board continues to work on solutions and mitigants to implementation challenges in Iceland and overseas.

According to the Income Statement, the profit for the year ended 31 December 2012 amounted to ISK 301,206 million. Profit due to rejection of claims and settlements amounted to ISK 135,754 million. Total equity as at 31 December 2012 was negative by ISK 1,497,212 million according to the Balance Sheet.

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

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

Statement by the Winding-Up Board and Managing Director

The Financial Statements for the year ended 31 December 2012 have been prepared in accordance with the Icelandic Act on Annual Accounts.

In our opinion, based on the fact that the Company is in Winding-Up procedure, the Financial Statements and the Endorsement by the Winding-Up Board and Managing Director give a true and fair view of the development and performance of the Company´s operations during the year ended 31 December 2012 and its financial position at year end and describe the principal risks and uncertainties faced by the Company. As a result of the Winding-Up Board´s continuing work on the claims and court rulings, the claims register will change in the nearest future.

The Winding-Up Board and Managing Director have today discussed the Financial Statements of Glitnir hf. for the year 2012 and confirm them by means of their signatures.

Reykjavík, 25 February 2013.

The Winding-Up Board

Steinunn Guðbjartsdóttir

Páll Eiríksson

Managing Director

Kristján Óskarsson

Independent Auditors' Report

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

We have audited certain parts of the accompanying financial statements of Glitnir hf., which comprise the balance sheet as at 31 December 2012, and the income statement and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. Our audit was limited to the assets in the balance sheet and administrative expenses in the income statement.

Management's Responsibility for the Financial Statements

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

Auditors´ Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the assets of Glitnir hf. as at 31 December 2012, and of its administrative expenses included in the financial performance for the year then ended in accordance with the Icelandic Annual Accounts Act.

Emphasis of matter

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

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

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

Reykjavík, 25 February 2013.

KPMG ehf.

Sæmundur Valdimarsson
Helgi F Arnarson

Income Statement for the year ended 31 December 2012

	Notes	2012	2011
Interest income	3	16.885	61.786
Net reversal of impairment losses (net impairment losses)	4	106.695	(916)
Subordinated loans rejected by the Winding-Up Board as unsecured claims and other changes in claims	5	135.754	97.956
Net interest income less impairment losses and write-offs		259.333	158.826
Fee and commission income		1.244	473
Fee and commission expenses		(8)	0
Net fee and commission income		1.236	473
Net financial income and expenses	6	48.259	24.471
Net operating income		308.829	183.771
Administrative expenses	7-9	(7.623)	(5.431)
Profit for the year		301.206	178.340

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Balance Sheet as at 31 December 2012

	Notes	2012	2011
Assets			
Cash and cash equivalents	11	440.219	333.422
Claims from derivative contracts	12	32.387	20.313
Bonds and debt instruments	13	169.112	5.735
Shares and equity instruments	14	23.645	49.020
Loans to banks	15	0	2.490
Loans to customers	15	115.539	108.803
Investments in subsidiaries	16	148.965	363.004
Other assets	17	4.142	190
Total assets		934.009	882.977
Liabilities			
Claims	19	2.428.494	2.680.743
Other liabilities	20	2.727	652
Total liabilities		2.431.221	2.681.394
Equity			
Share capital		14.881	14.881
Accumulated deficit		(1.512.093)	(1.813.299)
Total negative equity	21	(1.497.212)	(1.798.418)
Total liabilities and equity		934.009	882.977

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Statement of Cash Flows for the year ended 31 December 2012

	Notes	2012	2011
Cash inflow			
Loans to customers - principal and interest repayments		41.690	49.800
Loans to banks - principal and interest repayments		10.114	406
Claims from derivative contracts - repayments		6.058	5.617
Interest income on bank accounts		2.402	4.049
Dividend, equity and bond maturities and coupon receipts		33.625	10.376
Distribution from subsidiaries		89.387	0
Other inflow		4.712	639
Total cash inflow		187.989	70.886
Cash outflow			
New loans to customers		0	(1.302)
Administrative expenses		(5.584)	(5.296)
Payment of claims		(94.541)	0
Other		(1.049)	(325)
Total cash outflow		(101.174)	(6.924)
Increase in cash and cash equivalents		86.815	63.963
Effect of exchage rate fluctuations on cash and cash equivalents		19.982	10.323
Cash and cash equivalents at the beginning of the year		333.422	259.136
Cash and cash equivalents at the end of the year	11	440.219	333.422

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Notes

1. Reporting entity

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

2. Basis of preparation

a. Statement of compliance

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

The financial statements were authorised for issue by the Winding-Up Board and Managing Director on 25 February 2013.

b. Basis of measurement

The financial statements have been prepared on the basis that Glitnir is able to manage the realisation of its assets and transact its ongoing business having appropriate regard to the interests of all its creditors. Accordingly, the estimate of value attributed to each asset is dependent on the realisation strategy presently adopted for assets, which varies between available for sale, manage to sale, or hold to maturity. As such, the estimated values for certain asset classes represented in the financial statements are not necessarily intended to represent prices at which an orderly transaction could take place between market participants as at the reporting date. Rather, such values are intended to represent the value of assets based on a longer term estimate of recoverable values.

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

The Balance Sheet is shown on an unconsolidated basis. The estimated values attributable to investment in subsidiaries are based upon an estimate of the value of the underlying net assets of the subsidiaries and not the carrying value of the investment in the stand-alone company accounts.

In note 18 a combined Balance Sheet is shown where assets of all subsidiaries, except for Íslandsbanki hf., have been reclassified to the underlying asset classes of which the estimated value of investments in subsidiaries is based on.

The reported liabilities as at 31 December 2012 and 2011 are based on the claim register. Claims in foreign currencies have been translated into ISK at foreign exchange mid rates published by the Icelandic Central Bank for 22 April 2009, which is the lodge date of claims. Other liabilities at year end 2012 and 2011 in currencies other than ISK are translated at year end rates 2012 and 2011, respectively. According to law creditors´ claims do not bear any interest or indexation from the lodge date. The process for agreeing claims is ongoing and so the liabilities included in the Balance Sheet may not be complete or accurate as a number of the existing and potential liabilities are subject to legal uncertainty. As a result, the liabilities included in the financial statements will be subject to change and clarification when the claims registration process is complete. It is likely that the ultimate liabilities determined by the Winding-Up Board or Courts will be different to those reported in the financial statements presented here and that the categorisation of liabilities by priority will change.

Notes, contd.:

c. Valuation principles

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

Asset class	Valuation methodology
Cash and cash equivalents	The value of cash and cash equivalents is book value of deposits and market value of sovereign bonds.
Claims from derivative contracts	For international ISDA counterparties estimated realisable value is based on assumed close-out on 7 October 2008. Realisable value includes valuation adjustment for credit, valuation and legal uncertainties. For Icelandic counterparties estimated realisable value is based on assumed close-out at the earlier of transaction maturity and 22 April 2009. Realisable value includes valuation adjustment for credit, valuation and legal uncertainties.
Bonds and debt instruments	Realisable value is based on directly or indirectly observable valuation inputs.
Shares and equity instruments ...	Realisable value for listed equities is based on observable valuation inputs. Realisable value for unlisted equities is based on valuation inputs that are not quoted in markets that are active or for which significant inputs are not directly observable.
Loans to banks	Credit adjusted valuation based on a 'hold-to-maturity' strategy.
Loans to customers	Credit adjusted valuation based on a 'hold to sale' or 'hold to maturity' strategy.
Investments in subsidiaries	The estimated value of the 95% share in Íslandsbanki hf. has been based upon a high level analysis of Íslandsbanki forecast performance and median trading multiples for Íslandsbanki peer group in the Euro area (principally Price to Book Value and Price to Net Income). The estimated value for other subsidiaries is based on the estimated value of the underlying net assets held in the subsidiaries. The methodologies used to estimate the value of the underlying assets are the same as those used for assets held directly by Glitnir.

d. Functional and presentation currency

The financial statements are presented in Icelandic Krona (ISK), which is the functional currency of Glitnir hf. All amounts are in ISK million unless otherwise stated. Throughout the financial statements, unless otherwise stated, foreign currency values are translated at the mid rates published by the Icelandic Central Bank for 31 December 2012 and 2011, except for claims which have been translated into ISK at foreign exchage mid rates published by the Central Bank for 22 April 2009. A significant proportion of the assets of Glitnir are denominated in foreign currencies. As a result, the estimated values presented herein may be materially impacted by movements in foreign exchange rates. Foreign currency transactions have been translated at the spot exchange rate at the date of transaction.

e. Creditor set-off

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

f. Use of estimates and judgement

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

Given the current economic climate, particularly the financial and liquidity crisis, there are limited active markets for many of the financial instruments held by Glitnir. To the extent that the estimated asset values are based on inputs that are less observable or unobservable in the market, the estimation of value requires more judgement. Accordingly, the Winding-Up Board has applied considerable judgement in determining the estimate of values for certain assets and liabilities, notably those relating to loans to customers, unlisted equity instruments, complex derivative products and set-offs.

3. Interest income are specified as follows:

	2012	2011
Cash and cash equivalents	2.402	4.049
Claims from derivative contracts	6.748	11.027
Loans to customers	7.734	46.710
Total	16.885	61.786

Interest income is calculated in full in accordance with the contractual provisions of interest bearing financial assets. To the extent that interest income is deemed to be uncollecible a corresponding increase in impairment losses is recognised.

4. Net reversal of impairment losses (net impairment losses)

Impairment losses are specified as follows:

2011	Claims from derivative contracts	Bonds	Loans	Subsidiaries	Loans to banks and other	Total
Balance at the beginning of the year	324.562	135.666	525.526	215.170	322.710	1.523.635
Impairment for the year	23.901	(4.510)	7.885	(28.654)	2.294	916
Write-offs	(44.538)	535	(25.900)	0	(306)	(70.209)
Foreign exchange difference on impairment	6.945	3.009	18.712	4.544	1.584	34.794
Other changes	75	0	355	12.382	24.405	37.217
Provision at year end	310.945	134.700	526.579	203.442	350.686	1.526.353
2012						
Balance at the beginning of the year	310.945	134.700	526.579	203.442	350.686	1.526.353
Reversal of impairment	(66.575)	5.662	14.636	(35.346)	(25.072)	(106.695)
Write-offs	(107.182)	122	(39.106)	0	(120.216)	(266.382)
Foreign exchange difference on impairment	1.260	1.294	11.148	1.573	165	15.440
Other changes	0	0	0	5.954	0	5.954
Provision at year end	138.449	141.777	513.258	175.623	205.563	1.174.671

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Notes, contd.:

5. Claims register

The change in Claims register is recorded in the Income Statement as follows:

	2012	2011
Claim liabilities in the beginning of the year	2.680.743	2.790.288
Claim liabilities in the end of the year	2.428.494	2.680.743
Changes during the year	252.249	109.546
Estimated netting changes	37.240	(7.424)
Payment of claims	(92.375)	(20)
Final set off	(55.959)	(483)
Other adjustments and changes	(5.401)	(3.661)
Total Income Statement effect	135.754	97.956

6. Net financial income and expenses

Net financial income and expenses are specified as follows:

Dividend income	5.332	6.021
Net gain on financial assets	1.940	3.568
Net foreign exchange gain	40.987	14.882
Total	48.259	24.471

7. Administrative expenses

Administrative expenses is specified as follows:

Salaries and salary related expenses	616	607
Services from Íslandsbanki hf.	326	360
Winding-Up Board and the Resolution Committee	236	365
Domestic legal services	580	414
International legal services	1.329	1.406
Other domestic advisors	476	369
Other international advisors	3.253	1.366
Other operational cost	807	546
	7.623	5.431

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

Salaries and related expenses are analysed as follows:

Salaries	481	497
Contribution to defined contribution plan	64	61
Other salary-related expenses	71	48
Total salaries and salary-related expenses	616	607
Average number of employees	37	43

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

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

Compensation of the Resolution Committee, Winding-Up Board and the CEO is specified as follows:

The CEO	45	39
Winding-Up board	236	229
Resolution Committee	0	135
Total	281	404

Payments to the Winding-Up Board and the Resolution Committee include value-added tax of 25.5%.

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Notes, contd.:

10. Income tax

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

11. Cash and cash equivalents

Cash and equivalents are specified as follows:

	2012	2011
Cash and balances with banks	77.724	28.875
Term deposits	21.175	78.268
International sovereign bonds	326.345	210.443
Icelandic sovereign bonds	10.587	11.642
Restricted cash	4.389	4.195
Total	440.219	333.422

International sovereign bonds are specified as follows:

	2012	2011
Australia	0	686
Austria	0	1.905
Canada	29.745	7.912
Denmark	0	6.322
Finland	0	4.866
France	51.280	20.486
Germany	44.991	28.488
Netherlands	26.431	32.180
Norway	44.978	29.300
Sweden	3.218	3.154
UK	38.817	10.872
USA	83.667	50.056
Other:		
Government guaranteed - Baden Württemberg	0	1.569
Government guaranteed - Germany	3.218	9.916
Vanguard	0	1.160
Supranational	0	1.571
Total	326.345	210.443

Maturity profile as at 31 December are as follows:

2012	**Deposits**	**Bonds**	**Total**
0-3 months	86.146	205.541	291.687
3-6 months	6.002	78.671	84.673
6-9 months	11.131	50.239	61.369
9-12 months	0	0	0
+ 12 months	9	2.481	2.490
Total	103.287	336.932	440.219
2011			
0-3 months	77.843	54.992	132.835
3-6 months	22.247	76.616	98.862
6-9 months	10.491	56.183	66.674
9-12 months	0	31.932	31.932
+ 12 months	757	2.362	3.119
Total	111.338	222.084	333.422

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12. Claims from derivative contracts

Claims from derivative contracts are specified as follows:

	International counter-parties	Domestic counter-parties	Total
2012			
Total net claims from derivative contracts, before set off against liabilities	28.605	28.174	56.780
Balance subject to set-off	(8.654)	(15.739)	(24.393)
Total 31.12.2012	19.951	12.435	32.387
2011			
Total net claims from derivative contracts, before set off against liabilities	15.969	44.906	60.875
Balance subject to set-off	(14.325)	(26.237)	(40.562)
Total 31.12.2011	1.644	18.669	20.313

International counterparties:

In accordance with ISDA documentation, Glitnir received ‘event of default notices’ soon after its collapse. Counterparties have designated a range of ‘Early Termination Dates’, the validity of which is being examined by Glitnir and which may have impact on the value of the derivative assets and liabilities. The estimated realisable value ascribed to the derivative portfolio is based upon these close-out dates or 7 October 2008, where that applies under the relevant terms. Glitnir has been working with legal advisors to support the assessment of claims and recovery of value on derivative assets.

Counterparties, as the non-defaulting party under ISDA terminology, have provided close out statements and details of their valuation methodology. Glitnir has entered into dialogue with counterparties to follow–up where inadequate detail has been provided to enable a complete reconciliation to be performed against Glitnir´s own records.

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

Domestic counterparties:

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

13. Bonds and debt instruments

Bonds and debt instruments are specified as follows:

	Estimated realisable value	Estimated off	Net position
2012			
Governments	3.053	0	3.053
Financial institutions	4.376	(4.342)	34
Corporates	10.424	0	10.424
Bond claims on subsidiaries	155.601		155.601
Total	173.454	(4.342)	169.112
2011			
Governments	2.758	0	2.758
Financial institutions	13.700	(13.068)	632
Corporates	2.345	0	2.345
Total	18.803	(13.068)	5.735

At the end of 2012 distribution was made from the subsidiary, Glitnir Bank Luxembourg SA to Glitnir hf. The distribution was in the form of corporate international bonds, subordinated bond issued by Glitnir Bank Luxembourg SA and loan notes on Haf Funding Ltd. and Holt Funding Ltd.

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14. Shares and equity instruments

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

	2012	2011
Listed shares	56	2.054
Unlisted shares	23.589	46.966
Total	23.645	49.020

Concentration by location of issuers of shares and equity instruments	2012	2011
UK	11.069	39.109
Iceland	8.903	6.183
Canada	3.648	2.693
United States	0	383
Norway	25	539
Other	1	114
Total	23.645	49.020

During the year 2011 ISK 1,069 million of equity positions arose from loan restructuring.

15. Loans to banks and customers

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

	Loans to banks 2012		Loans to banks 2011	
	Gross amount	Estimated realisable value	Gross amount	Estimated realisable value
Concentration by location				
Norway	0	0	3.373	1.601
United States	0	0	4.935	888
Total	0	0	8.308	2.490

	Loans to customers 2012		Loans to customers 2011	
	Gross amount	Estimated realisable value	Gross amount	Estimated realisable value
Concentration by sector				
Financial Institutions	3.453	816	8.169	2.112
Seafood	9.501	7.466	20.994	15.930
Offshore & transport service	55.092	51.243	58.387	54.284
Holding Companies	78.344	3.909	235.258	4.401
Manufacturing	24.529	17.438	30.645	19.520
Property and Real Estate	6.683	1.610	29.355	3.337
Retail	9.254	9.253	7.930	2.244
Utilities	251	238	370	351
Other	33.737	23.567	13.928	6.623
Total	220.843	115.539	405.035	108.803
Concentration by location				
Norway	73.770	59.912	75.547	61.885
United States	10.784	2.553	10.492	4.472
Iceland	99.768	23.883	271.007	8.120
UK	20.585	19.802	15.044	12.706
Canada	1.831	1.827	13.556	10.378
Germany	7.134	5.532	6.785	2.551
Denmark	5.226	982	4.128	1.271
Other	1.746	1.048	8.476	7.420
Total	220.843	115.539	405.035	108.803

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16. Investments in subsidiaries

Investments in subsidiaries are specified as follows:	Country of incorporation	Ownership interest	Carrying amount 2012	Carrying amount 2011
GLB Holding ehf.	Iceland	100%	137.851	134.844
Glitnir Bank Luxembourg S.A.	Luxembourg	100%	11.114	228.160
Investments in subsidiaries total			148.965	363.004

GLB Holding ehf.:

Net assets of GLB Holding ehf. consist of following:	2012	2011
ISB Holding ehf. (95% share in Íslandsbanki hf.)	115.887	110.685
Other subsidiaries	3.091	2.104
Other assets	18.873	22.056
Total	137.851	134.844

Glitnir Bank Luxembourg S.A.

The value attributed to Glitnir Bank Luxembourg S.A. is the equity value of the subsidiary. In December 2012 assets were distributed from Glitnir Bank Luxembourg SA to Glitnir hf. The distribution was in the form of cash, international bonds, loan notes towards Haf and Holt Funding and by issuing a subordinated loan.

The valuation consist of:	
Estimated recoverable value of the loan portfolio of Glitnir Luxembourg SA at year end 2011	145.435
Estimated recoverable value of other assets of Glitnir Luxembourg SA at year end 2011	82.725
Total estimated value of Glitnir Bank Luxembourg S.A. 31 December 2011	228.160
Net income 2012	57.082
Equity to debt conversion (subordinated loan)	(67.071)
Distribution of assets to Glitnir hf.	(218.158)
Foreign exchange gain	11.102
Value of Glitnir Bank Luxembourg S.A. equity 31 December 2012	11.114

17. Other assets

Other assets are specified as follows:	2012	2011
Claims on bankrupt companies	3.507	0
Accounts receivable	627	178
Other assets	8	12
Total	4.142	190

Claims on 14 bankruptcy companies have been reclassed from Loans to customers to Other assets. The gross amount of the claims is ISK 180.6 billion.

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Notes, contd.:

18. Combined Balance Sheet

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

2012	Glitnir hf.	GLB Holding	Glitnir Luxembourg S.A	Haf / Holt	Elimination entries	Combined
Assets						
Cash and cash equivalents	440.219	291	7.207	14.362	0	462.079
Claims from derivative contracts	32.387	0	0	0	0	32.387
Bonds and debt instruments	169.112	17.628	0	0	(155.601)	31.139
Shares and equity instruments	23.645	2.925	9.442	3.131	0	39.142
Loans to banks	0	0	0	0	0	0
Loans to customers	115.539	0	62.433	65.958	0	243.930
Investments in subsidiaries	148.965	134.311	191	0	(166.440)	117.027
Other assets	4.142	172	488	5.080	0	9.881
Total assets	934.009	155.327	79.760	88.530	(322.042)	935.585
Liabilities						
Claims	2.428.494	0	0	0	0	2.428.494
Other liabilities	2.727	1	68.646	88.530	(155.601)	4.303
Total liabilities	2.431.221	1	68.646	88.530	(155.601)	2.432.797
Equity						
Equity	(1.497.212)	155.326	11.114	0	(166.440)	(1.497.212)
	(1.497.212)	155.326	11.114	0	(166.440)	(1.497.212)
Total liabilities and equity	934.009	155.327	79.760	88.530	(322.042)	935.585

2011	Glitnir hf.	GLB Holding	Glitnir Luxembourg S.A	Haf / Holt	Elimination entries	Combined
Assets						
Cash and cash equivalents	333.422	2.572	4.998	5.367	0	346.358
Claims from derivative contracts	20.313	0	0	0	0	20.313
Bonds and debt instruments	5.735	20.263	31.508	0	(23.121)	34.385
Shares and equity instruments	49.020	1.909	4.652	2.421	92	58.094
Loans to banks	2.490	0	0	0	0	2.490
Loans to customers	108.803	0	73.144	129.260	0	311.206
Investments in subsidiaries	363.004	118.747	13	0	(370.384)	111.379
Other assets	190	77	1.024	0	0	1.291
Total assets	882.977	143.568	115.338	137.048	(393.413)	885.517
Liabilities						
Claims	2.680.743	0	0	0	0	2.680.743
Other liabilities	652	1.436	1.105	137.048	(137.048)	3.192
Total liabilities	2.681.394	1.436	1.105	137.048	(137.048)	2.683.935
Equity						
Equity	(1.798.418)	142.133	114.233	0	(256.365)	(1.798.418)
	(1.798.418)	142.133	114.233	0	(256.365)	(1.798.418)
Total liabilities and equity	882.977	143.568	115.338	137.048	(393.413)	885.517

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Notes, contd.:

19. Claims

The time limit for lodging claims in Glitnir's winding-up proceedings expired on 26 November 2009 and at open creditors' meetings in December 2009, May 2010, December 2010, April 2011, August 2011, January 2012, May 2012, September 2012 and November 2012 the Winding-Up Board presented the list of claims and explained the decisions which had been made. Creditors also had an opportunity to object to decisions made by the Winding-Up Board on individual claims.

December 2012	**Originally claimed amounts**	**Changes to claims register**	**Corrected claims register**	**Adjusted claimed amounts**	**Balance Sheet**
Third party assets	33.146	514	33.660	(27.147)	6.513
Approval costs	25.316	(3)	25.313	(25.313)	0
Secured	40.725	(3.398)	37.327	(25.785)	11.542
Priority	258.129	(101.884)	156.245	(156.143)	101
Unsecured	2.973.195	(92.364)	2.880.832	(483.447)	2.397.384
Deferred	105.722	290	106.012	(93.059)	12.953
Total claims	3.436.233	(196.845)	3.239.388	(810.894)	2.428.494
December 2011					
Third party assets	33.146	514	33.660	(9.706)	23.954
Approval costs	25.316	(4)	25.313	(24.920)	392
Secured	40.725	(3.398)	37.327	(24.744)	12.583
Priority	258.129	(101.888)	156.241	(54.134)	102.106
Unsecured	2.973.195	(92.551)	2.880.644	(374.853)	2.505.790
Deferred	105.722	312	106.034	(70.117)	35.917
Total claims	3.436.233	(197.015)	3.239.218	(558.475)	2.680.743
Changes in Claim liabilities in 2012	0	170	170	(252.419)	(252.249)

Since 17 December 2009, certain amendments have been made to the claims register, principally in relation to correction of errors and where claims have been withdrawn.

As a result of the Winding-Up Board´s continuing work on registered claims, certain adjustments have been made to the initial registered claims. These adjustments relate to:

	2012	**2011**
Where claims have been rejected, withdrawn or closed with set-off or settlement	(607.627)	(401.633)
Where accepted priority claims have been paid	(53.752)	(27)
Where disputed priority claims have been paid (escrow)	(38.650)	0
Where there were errors or duplications in the claims registration list	(32.952)	(40.977)
Claims from Glitnir Luxembourg and Haf and Holt	(41.477)	(42.162)
Estimation of set-off	(36.436)	(73.676)
Total	(810.894)	(558.475)

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Notes, contd.:

19. Claims, contd.

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

	Decisions made	Accepted claims	Reclass of accepted claims	Total accepted by WUB	Rejected claims
Third party assets	33.660	14.286	(11.630)	2.657	31.003
Approval costs	25.313	245	(223)	22	25.291
Secured	37.327	16.364	(16.364)	0	37.327
Priority	156.245	108.518	(55.886)	52.632	103.613
Unsecured	2.880.832	2.231.292	84.102	2.315.394	565.438
Deferred	106.012	0	0	0	106.012
Total	3.239.388	2.370.704	0	2.370.704	868.685

	Claims register	Unconditi-onally accepted / unsettled	Unconditi-onally rejected / settled	Unconditi-onally subord-inated	Currently under conciliation
Third party assets	33.660	0	22.268	170	11.223
Approval costs	25.313	0	25.308	5	0
Secured	37.327	0	25.773	11	11.542
Priority	156.245	0	117.506	0	38.739
Unsecured	2.880.832	2.111.945	266.502	99.390	402.994
Deferred	106.012	0	31.209	62.809	11.994
Total	3.239.388	2.111.945	488.566	162.385	476.492

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

Priority claims which were still in dispute and were lodged as priority claims were paid by depositing in special deposit accounts. The total amount of disputed priority claims was ISK 53 billion in March 2012. Hence, the total payment made for priority claims was ISK 105.6 billion. As matters have been resolved Glitnir has received part of the amount from the special deposit accounts back to it´s own accounts. The balance on the special deposit accounts are as follows:

Currencies in escrow accounts	Amount paid in March 2012	Repaid to Glitnir from escrow acc.	Balance of disputed 112 claims	Total as per rate on 31. Dec. 2012
EUR	18.892	5.110	13.782	13.870
GBP	6.183	1.672	4.510	4.941
ISK	10.108	2.734	7.374	7.610
NOK	8.583	2.321	6.261	7.641
USD	9.213	2.492	6.721	6.645
Total	52.979	14.329	38.650	40.708

Priority claims in dispute in March 2012	52.979
Accepted as an unsecured claim	(569)
Claims rejected / withdrawn	(13.759)
Priority claims in dispute at 31 December 2012 (at the exchange rate of 22 April 2009)	38.650

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19. Claims, contd.

At the end of December 2012 the Winding-Up Board has referred 246 cases relating to 317 claims to Reykjavík District Court when it was not possible to settle such disputes at a meeting. This includes cases that will create precedent for a large number of other disputed claims. Cases that have also been referred to the courts are those concerning employees' claims for salaries and those of the Company´s former senior management.

20. Other liabilities

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

21. Equity

Changes in equity are specified as follows:

	Share capital	Accumulated deficit	Total
Equity as at 1 January 2011	14.881	(1.991.638)	(1.976.757)
Profit for the year		178.340	178.340
Equity as at 1 January 2012	14.881	(1.813.299)	(1.798.418)
Profit for the year		301.206	301.206
Equity as at 31 December 2012	14.881	(1.512.093)	(1.497.212)

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

22. Market risk

a. Interest rate risk

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

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

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Notes, contd.:

b. Breakdown by currencies

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

At 31 December 2012

	EUR	ISK	NOK	USD	GBP	Other	Total
Cash and cash equivalents	171.131	32.486	50.776	93.192	54.799	37.836	440.219
Bonds & shares ..	159.978	12.102	25	7.238	9.766	3.648	192.757
Loans to banks ..							0
Loans to customers	11.119	22.077	43.306	9.689	26.364	2.984	115.539
Investments in subsidiaries	11.114	137.851	0	0	0	0	148.965
Claims from derivative contracts and other assets	5.949	16.577		14.002			36.528
Total financial assets	359.291	221.093	94.106	124.121	90.929	44.469	934.009
Total in %	38,5%	23,7%	10,1%	13,3%	9,7%	4,8%	100,0%

b. Breakdown by currencies

At 31 December 2011

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

c. Breakdown by Icelandic assets vs. non-Icelandic assets

Icelandic assets (both in ISK and in foreign currency) are subject to currency control in Iceland. As of 31 December 2012 the split of combined assets of Glitnir (see note 18) between Icelandic assets and non-Icelandic assets are as follows:

	ISK assets	Fx from Icelandic counter-parties	Total Icelandic assets	Non - Icelandic assets	Total combined assets
Cash and cash equivalents	33.111	8.702	41.814	420.265	462.079
Claims from derivative contracts	12.435		12.435	19.951	32.387
Bonds and debt instruments	20.616		20.616	10.523	31.139
Shares and equity instruments	14.958		14.958	24.184	39.142
Loans to customers	54.397	23.374	77.771	166.159	243.930
Investments in subsidiaries	116.836		116.836	191	117.027
Other assets	2.174	5.080	7.254	2.627	9.881
Total assets	254.528	37.156	291.685	643.900	935.585
Total in %			31,2%	68,8%	100,0%

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