

Glitnir hf.

Statement of Assets and Liabilities

Incorporating an estimate of the value of assets as at 31 March 2015 and a computation of liabilities

27 May 2015

Disclaimer



This document includes a Statement of Assets and Liabilities as at 31 March 2015 (the “Statement”). You should carefully review 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.

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The Statement of Assets and Liabilities has been prepared by Glitnir hf. The assumptions and estimates incorporated in the Statement of Assets and Liabilities and Notes remain the sole responsibility of Glitnir hf.

1. Introduction

2. Statement of Assets and Liabilities as at 31 March 2015

3. Notes to the Statement of Assets and Liabilities as at 31 March 2015

Introduction

The logo for Glitnir, featuring the word "GLITNIR" in white, uppercase, sans-serif font on a red rectangular background. A white curved line is positioned below the text, resembling a stylized wave or a smile.

- The Statement is presented in ISK throughout (with certain supporting analyses also shown in EUR) and, unless otherwise stated, foreign currency values are translated at the mid rates published by the Icelandic Central Bank for 31 March 2015 (as detailed in Appendix 1). A significant proportion of the assets of Glitnir are denominated in foreign currencies. As a result, movements in foreign exchange rates may have a material impact on the estimated values presented herein. Comparative balances have not been retranslated from the foreign exchange rates used as at that date. Detail on Glitnir's FX strategy was published on its website on 22 September 2010.
- The Combined Balance Sheet includes the sum of the Assets and Liabilities of Glitnir and its subsidiaries, except for the shares in Íslandsbanki hf. and Reviva Capital SA.
- Glitnir's claim register is denominated in ISK based on foreign exchange rates on 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 movements. Where the liabilities presented in the Statement have been translated from ISK into EUR, this is for informational purposes only and the foreign exchange rate as at 31 March 2015 was used.
- The notes and appendices included in this presentation form an integral part of the Statement and should be reviewed in conjunction with it, along with the Statements of Assets and Liabilities as at 31 December 2014 and associated notes and appendices.
- The Winding-Up board and the management of Glitnir are solely responsible for the valuation of the assets included in the Statement of Assets and Liabilities.

1. Introduction

2. Statement of Assets and Liabilities as at 31 March 2015

3. Notes to the Statement of Assets and Liabilities as at 31 March 2015

Statement of Assets and Liabilities - Combined



	ISKm Combined 31 March 2015	ISKm Combined 31 December 2014	ISKm Combined 31 December 2013	EURm Combined 31 March 2015	EURm Combined 31 December 2014	EURm Combined 31 December 2013
Assets						
Loans to customers	45.513	66.793	130.166	309	433	821
Derivatives claims	2.250	5.693	24.355	15	37	154
Bonds and debt instruments	9.175	10.641	11.894	62	69	75
Shares and equity investments	32.111	31.580	40.312	218	205	254
Investments in subsidiaries	171.193	174.764	157.974	1.163	1.133	997
Cash and cash equivalents	696.946	660.515	556.736	4.733	4.282	3.513
Other assets	21.559	12.762	6.199	146	83	39
Total assets	978.748	962.748	927.637	6.647	6.241	5.853
Liabilities						
Claims	2.267.464	2.270.807	2.389.735	15.399	14.720	15.077
Tax liabilities	8.387	8.998	0	57	58	0
Other liabilities	4.737	5.311	3.880	32	34	24
Total liabilities	2.280.588	2.285.116	2.393.615	15.488	14.812	15.102
Negative equity	(1.301.841)	(1.322.368)	(1.465.977)	(8.841)	(8.572)	(9.249)
	978.748	962.748	927.637	6.647	6.241	5.853

Statement of Assets and Liabilities

Key trends summary

The logo for Glitnir, featuring the word "GLITNIR" in white capital letters on a red rectangular background. A white curved line is positioned below the text, resembling a stylized wave or a smile.

Assets

- Total combined assets have increased by ISK16.0bn from ISK962.7bn as at 31 December 2014 to ISK978.7bn as at 31 March 2015. The key drivers for this were:
 - a positive net impact of ISK3.1bn due to movements in FX;
 - an decrease in the value of the loan portfolio of ISK1.0bn;
 - an increase in the value of equities of ISK7.5bn;
 - an increase in the value of investments in subsidiaries (Íslandsbanki hf.) of ISK5.1bn.
- Total combined assets in EUR have increased from EUR6,241m to EUR6,647m over the period.
- Glitnir's cash balance has increased by ISK36.4bn from ISK 660.5bn as at 31 December 2014 to ISK696.9bn as at 31 March 2015.

Liabilities

- As a result of the Winding-up Board's continuing work on registered claims, certain adjustments have been made to the amount of registered claims recorded initially to arrive at the estimated computation of liabilities shown on page 6. The claims amount has changed during the period from ISK2,270.8bn as of 31 December 2014 to ISK2,267.5bn as of 31 March 2015. Further detail on the claims is provided in Note H of this document.
- Glitnir has estimated its potential liabilities due to the bank tax for 2014 as ISK8.4bn which will be payable at the end of 2015.

Statement of Assets and Liabilities

Tax issues

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Joint taxation with Íslandsbanki

- Glitnir is subject to General Corporate Income Tax rate of 20%. Net operating losses can be used to offset Corporate Income Tax therefore Glitnir had no payables relating to General Corporate Income Tax between 2009 – 2014. Ordinarily, parent companies and their subsidiaries (if owned 90%+) can file joint tax returns and such taxable profits in one entity can be offset against taxable losses in another. In December 2010 the Icelandic Parliament approved a legislative amendment in which joint taxation with financial institutions in winding up process was not permitted. The legislation was retroactive and applied for the year 2010. Other than for the effect of the amended law, Glitnir and Íslandsbanki hf. fulfilled all conditions necessary for such joint taxation for the year 2010, which would have saved ISK6.0bn in income tax. The Directorate of Internal Revenue rejected Glitnir's application for joint taxation for the year 2010. The ruling was appealed to the District Court of Reykjavík.
- On 21 May 2015 the District Court of Reykjavík ruled in favor of Glitnir in the case, regarding the 2010 retroactivity.

Special Tax on Financial Institutions

- In December 2013 the Icelandic Parliament passed amendments to the law on the special tax on financial institutions such that tax on Financial Institutions that was introduced in 2011 and previously applied only to commercial banks, savings banks and entities authorized to accept deposits would also apply for Financial Institutions in winding-up proceedings. The tax base for the Special Tax on Financial Institutions is the total approved claims above ISK50bn at the end of previous year. The Special Tax on Financial Institutions for the year 2013, ISK 8.2bn, was paid in November 2014. Tax for 2014 is recognized in the Balance Sheet. Glitnir is challenging the legality of the Special Tax on Financial Institutions.
- The Special Tax on Financial Institutions for 2015 is not recognized in the Statements of Assets and Liabilities.

Special Financial Activity Tax

- Special Financial Activity Tax (SFAT) is an additional tax imposed on financial institutions, securities firms and insurance companies. The SFAT is effectively additional income tax and is applied to the income tax base above ISK1bn. The imposition of SFAT on Glitnir in 2014 (for the year 2013) was ISK3.4bn. For the year 2014 (payable in 2015) the SFAT is expected to be ISK2.0bn. SFAT for 2015 is not recognized in the Statements of Assets and Liabilities. Glitnir is challenging the legality of the SFAT.

Statement of Assets and Liabilities

Reconciliation of Glitnir's combined assets



ISKm	Balance as at 31.12.2014	Cash movements and other changes	FX movements	Changes in valuation and netting	Balance as at 31.3.2015
Assets					
Loans to customers	66.793	(19.817)	(507)	(955)	45.513
Derivatives claims	5.693	(2.539)	0	(904)	2.250
Bonds and debt instruments	10.641	(1.463)	0	(4)	9.175
Shares and equity investments	31.580	(6.949)	(7)	7.487	32.111
Investment in subsidiaries	174.764	(8.677)	(6)	5.113	171.193
Cash and cash equivalents	660.515	32.729	3.702	0	696.946
Other assets	12.762	8.542	(9)	264	21.559
Total assets	962.748	1.826	3.174	11.000	978.748

- The table above provides an analysis of the key factors behind the movement in the estimated realisable value of Glitnir's consolidated asset portfolio between 31 December 2014 and 31 March 2015.
- The changes in valuation and netting include interest income during the period.

Statement of Assets and Liabilities

Foreign currency analysis of combined assets



31 March 2015

ISKm	EUR	ISK	NOK	USD	GBP	CAD	DKK	SEK	Other	Total
Loans to customers	10.508	14.854	10.468	2.637	1.001	371	3.213	1.007	1.454	45.513
Derivatives claims	0	2.250	0	0	0	0	0	0	0	2.250
Bonds and debt instruments	0	9.175	0	0	0	0	0	0	0	9.175
Shares and equity investments	345	28.898	0	686	2.182	0	0	0	0	32.111
Investments in subsidiaries	78	171.115	0	0	0	0	0	0	0	171.193
Cash and cash equivalents	209.966	79.525	87.204	172.277	97.616	31.828	2.614	10.397	5.519	696.946
Other assets	1.631	17.661	648	696	914	0	6	0	3	21.559
Total assets	222.529	323.479	98.321	176.295	101.713	32.200	5.833	11.405	6.975	978.748
<i>Percentage of total</i>	<i>22,7%</i>	<i>33,1%</i>	<i>10,0%</i>	<i>18,0%</i>	<i>10,4%</i>	<i>3,3%</i>	<i>0,6%</i>	<i>1,2%</i>	<i>0,7%</i>	<i>100,0%</i>
<i>Percentage of total (ISK without ISB)</i>		<i>15,6%</i>								
Total assets as at 31 December 2014	231.587	313.627	99.379	162.546	98.335	32.697	6.115	11.884	6.578	962.748
<i>Percentage of total 31.12.2014</i>	<i>24,1%</i>	<i>32,6%</i>	<i>10,3%</i>	<i>16,9%</i>	<i>10,2%</i>	<i>3,4%</i>	<i>0,6%</i>	<i>1,2%</i>	<i>0,7%</i>	<i>100,0%</i>
<i>Percentage of total (ISK without ISB)</i>		<i>14,4%</i>								

- The table above shows the estimated split of Glitnir's combined assets by currency as at 31 March 2015.
- The investment in Islandsbanki is assumed to be denominated solely in ISK (although the investment may not ultimately be monetised wholly in ISK).

Statement of Assets and Liabilities

Assets classified as Icelandic and non-Icelandic



31 March 2015								
ISKm	ISK assets	Fx from Icelandic counterparties	Total Icelandic assets	Non Icelandic assets	Combined 31 March 2015	Icelandic assets 31 December 2014	Non Icelandic assets 31 December 2014	Combined 31 December 2014
Assets								
Loans to customers	14.854	2.814	17.668	27.845	45.513	19.794	46.998	66.793
Derivatives claims	2.250	0	2.250	0	2.250	4.729	964	5.693
Bonds and debt instruments	9.175	0	9.175	0	9.175	10.641	0	10.641
Shares and equity investments	28.898	0	28.898	3.213	32.111	21.162	10.418	31.580
Investments in subsidiaries	171.115	0	171.115	78	171.193	174.632	132	174.764
Cash and cash equivalents	79.525	37.368	116.893	580.053	696.946	112.266	548.249	660.515
Other assets	17.661	121	17.782	3.777	21.559	9.103	3.660	12.762
Total assets	323.479	40.303	363.782	614.966	978.748	352.328	610.420	962.748
Proportion - Icelandic- non Icelandic ..	33%	4%	37%	63%	100%	37%	63%	100%

- The table above shows the split of Glitnir's combined assets by Icelandic and non-Icelandic counterparties as at 31 March 2015 and 31 December 2014.
- The Icelandic assets consist of loan agreements, derivatives claims, claims on bankrupt companies, bonds, shares and cash generated from Icelandic counterparties. Accounting estimates do not include any potential recoveries from litigation cases, which include disputes over ISK18bn of special taxes paid by Glitnir to date.
- Glitnir is seeking to, if possible, monetise it's 95% stake in ISB for foreign FX. It is currently uncertain whether this can be achieved.
- Glitnir is also seeking to monetise a further ISK22 to 30 bn. of other ISK assets in FX, where Glitnir owns stakes in Icelandic companies whose own assets are partly in FX, and the latter including other assets where there is some prospect of selling an ISK asset for FX
- Excluding litigation cases and ISB the upside/downside sensitivity range on the ISK assets is estimated by Glitnir to be limited.

1. Introduction

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3. Notes to the Statement of Assets and Liabilities as at 31 March 2015

Asset / liability class analysis

A: Loans to customers – reconciliation



31 March 2015	31.3.2015	31.3.2015		31.12.2014	31.12.2014	
ISKm	Carrying value	Estimated realisable value	Re-covery %	Carrying value	Estimated realisable value	Re-covery %
Opening balance	162.501	66.793	41%	270.666	130.166	48%
Capital repayments	(19.216)	(19.216)		(64.660)	(64.660)	
Interest repayments	(553)	(553)		(5.795)	(5.795)	
Write off	(2.646)	(47)		(38.724)	240	
Reclass	0	0		(699)	(663)	
New loans	0	0		4.113	4.088	
Valuation changes & netting .	397	(955)		607	4.546	
Fx impact	(914)	(507)		(3.007)	(1.130)	
Total Loans to Customers	139.569	45.513	33%	162.501	66.793	41%

- The above table sets out the changes in the loan portfolio in Q1 2015 compared with changes in the portfolio during 2014.
- The carrying values in the table above represent the values recorded in Glitnir's accounting records before any credit risk adjustments.

Asset / liability class analysis

B: Derivative claims analysis



	2015	2014
ISKm	Derivative claims - estimated realisable value	Derivative claims - estimated realisable value
Opening balance	5.693	24.355
Cash payments	(2.539)	(26.492)
Valuation & netting changes	(904)	8.530
Claims paid with loans and equity	0	(450)
Fx impact	0	(250)
Total derivative claims	2.250	5.693
Domestic counterparties	2.250	4.729
International counterparties	0	964
Total derivative claims	2.250	5.693

- The table shows the changes in the derivative claims for Q1 2015 compared to changes during 2014.
- At the end of Q1 2015 all claims have been referred to courts.
- In Q1 2015 Glitnir lost a court case before the Supreme Court which led to decrease in the valuation.

Asset / liability class analysis

C: Bonds and debt instruments analysis



31 March 2015		
ISKm	Estimated realisable value as at 31.3.2015	Estimated realisable value as at 31.12.2014
Opening balance	10.641	11.894
Repayments/Investments/sale	(1.455)	122
Valuation & netting changes	(4)	639
Reclass	(8)	(2.013)
Fx impact	0	0
Total value of bonds	9.175	10.641
Bond positions		
Icelandic sovereign	8.858	10.380
Other Icelandic	317	261
Total value of bonds	9.175	10.641

- The table shows the movements in the bond assets in Q1 2015 compared to the movements during 2014.

Asset / liability class analysis

D: Shares and equity investments analysis

ISKm	Estimated realisable value 31.3.2015	Estimated realisable value 31.12.2014
Opening balance	31.580	40.312
Dividend/Sale	(6.949)	(9.342)
Equity conversion	0	(5.941)
Valuation changes	7.487	7.007
Fx impact	(7)	(456)
	32.111	31.580
Listed equities	2.661	2.955
Investment funds	2.649	2.600
Other unlisted equities	26.802	26.025
	32.111	31.580
UK	3.213	3.145
Iceland	28.898	21.162
Norway	0	7.273
	32.111	31.580

- The table shows the movements in Q1 2015 compared to the movements during 2014.
- Glitnir and Haf Funding Ltd. hold 40.1% share in the investment company Stoðir hf. Total numbers of shares owned by Glitnir and Haf is ISK4.7bn.
- The book value of Stoðir shares is ISK20.2bn
- Stoðir's primary asset was 30% stake in the European juice and soft drinks producer Refresco Gerber. In March 2015, Refresco Gerber's share were admitted to trading at Euronext Amsterdam after an IPO was concluded where Stoðir sold 45% of its shares in Refresco Gerber.
- No dividends from Stoðir have been received in 2015.

Asset / liability class analysis

E: Investment in subsidiaries analysis



ISKm	31.3.2015	31.12.2014
Íslandsbanki (95%)	171.115	174.632
Reviva Capital SA (51%)	78	132
Total investments in subsidiaries	171.193	174.764
	2015	2014
Book value 1 January	174.764	157.974
Dividends paid	(8.677)	(3.990)
Share in profit	5.113	20.784
Fx impact	(6)	(5)
Book value at the end of period	171.193	174.764

- The value of 95% share in Íslandsbanki hf. and the 51% share in Reviva Capital SA is based on book value of equity as of 31 March 2015.
- The second table shows the changes in the value of the shares in Íslandsbanki hf. and Reviva Capital SA in Q1 2015 and 2014.
- In April 2015 Íslandsbanki paid a dividend of ISK9bn. to its shareholders. Glitnir's share in the dividend is ISK8.55bn.

F: Other assets

ISKm	31.3.2015	31.12.2014
Accounts receivable	939	699
Claims on bankruptcy companies	2.844	2.845
Escrow accounts	9.226	9.219
ISB dividend (paid in April 2015)	8.550	0
Total other assets	21.559	12.762

Asset / liability class analysis

G: Cash flow analysis



ISKm	Q1 2015
Cash inflow:	
Principal loans to customers repayments	19.216
Interest on loans to customers receipts	553
Derivatives claims repayments	2.539
Purchased, sale and maturities of bonds	1.455
Dividends and sale of shares	7.077
Interest income on cash balance	1.267
Other inflow	26
Total cash inflows	32.133
Cash outflow:	
Operational costs	(1.675)
New loans to customers	(17)
Bank tax	(610)
Other outflow	(49)
Payment of Claims	2.947
Total cash outflows	596
Total cash movement	32.729
Effect of exchange rate fluctuations	3.702
Opening cash balance	660.515
Closing cash balance	696.946

- The adjacent table summarises Glitnir's cash flow for Q1 2015. The cash flow analysis is combined for Glitnir hf. and subsidiaries.
- The most significant cash inflows are related to the repayment of principal and interest from loans to customers, derivative claims, sale of equity and dividend payments.
- The yield on the cash balance for Q1 2015 was 0.6%, on average, 0.81% on deposits and 0.49% on T-bills.
- The total positive impact of foreign currency movements on the cash and cash equivalents balances was ISK3.7bn.

Asset / liability class analysis

G: Cash and cash equivalents analysis



ISKm	31 December			
	31 March 2015	%	2014	%
Cash balance held with:				
Icelandic banks	76.021	11%	75.605	11%
Skandinavian banks	77.133	11%	84.349	13%
European banks	75.525	11%	42.957	7%
Canadian banks	10.861	2%	10.618	2%
Icelandic T-bills	39.055	6%	35.023	5%
International T-bills	418.351	60%	411.963	62%
Total	696.946	100%	660.515	100%
Liquid asset deposited in Iceland	115.076	17%	110.628	17%
Liquid asset deposited in other jurisdictions	581.870	83%	549.886	83%
	696.946	100%	660.515	100%
Total deposits	239.539	34%	213.529	32%
International T-bills	418.351	60%	411.963	62%
Icelandic T-bills	39.055	6%	35.023	5%
	696.946	100%	660.515	100%

ISKm	31 December			
	31 March 2015	%	2014	%
Liquid assets in currencies				
EUR	209.966	30%	218.071	33%
USD	172.277	25%	158.777	24%
GBP	97.616	14%	94.535	14%
NOK	87.204	13%	66.187	10%
ISK	79.525	11%	75.178	11%
CAD	31.828	5%	30.115	5%
SEK	10.397	1%	10.835	2%
Other	8.133	1%	6.816	1%
Total	696.946	100%	660.515	100%

- The aim of Glitnir's cash management strategy is to minimise risk within the portfolio.
- The investment policy is to hold 50-100% of liquid assets in government bonds and bills and 0-50% in cash and term deposits.

Asset / liability class analysis

G: Cash and cash equivalents analysed by maturity

T-bill portfolio analysis



Liquid assets - Maturity profile 31 March 2015				
ISKm				
	Deposits	T-bills	Total	
Maturity:				
0-3 months	143.830	226.929	370.759	53%
3-6 months	91.325	161.576	252.902	36%
6-9 months	4.384	68.901	73.286	11%
	239.539	457.407	696.946	100%

	31.3.2015		31.12.2014	
ISKm				
USA	150.668	33%	139.109	31%
Germany	26.518	6%	44.745	10%
Norway	72.439	16%	65.234	15%
UK	84.048	18%	75.967	17%
France	50.075	11%	49.368	11%
Netherland	0	0%	3.857	1%
Canada	30.123	7%	28.439	6%
Iceland	39.055	9%	35.023	8%
Sweden	2.563	1%	4.111	1%
Australia	1.917	0%	1.134	0%
Total T-bills	457.407	100%	446.986	100%

- The table on the left summarises the maturity profile of Glitnir’s liquid asset portfolio.
- The most significant element of Glitnir’s combined cash and cash equivalents relates to the T-bills portfolio as analysed in the table on the right.

Asset / liability class analysis

H: Analysis of liabilities

- The tables in this section set out an analysis of Glitnir's liabilities presented in the Statement (page 6).
- The first table summaries the claims made against Glitnir and 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
 - estimated set-off – a high level estimate of the set-off of Glitnir, based upon a review of the claims register.
- The estimates of set-off made above are preliminary estimates only and may be subject to change in the future. The Winding-up Board's work is continuing on the claims position of Glitnir.

Asset / liability class analysis

H: Analysis of liabilities



ISKm	Article no.	Claims registration	Adjustments	Adjusted claimed amounts	Estimated set-off	Estimated liabilities after set-off as at 31.3.2015	Estimated liabilities after set-off as at 31.12.2014
Third party assets	109	33.660	(33.494)	166	0	166	754
Approval Costs	110	25.313	(25.313)	0	0	0	0
Secured	111	37.327	(35.273)	2.054	0	2.054	2.054
Priority	112	156.245	(156.245)	0	0	0	0
Unsecured	113	2.880.832	(609.583)	2.271.249	(6.108)	2.265.141	2.267.529
Deferred	114	106.012	(105.909)	103	0	103	470
Total		3.239.388	(965.816)	2.273.572	(6.108)	2.267.464	2.270.807

Changes in net claims

ISKm	
Net claims as at 31.12.2014	2.270.807
Payments of 109 and 110 claims	0
Repaid disputed 112 claims	0
Changes in set-off	523
Decisions	(3.866)
Net claims as at 31.3.2015	2.267.464

- The table above provides an analysis of claims recorded in the Statement (see page 6).
- The table on the left shows the changes of the claim register since 31 December 2014 to 31 March 2015.

Asset / liability class analysis

H: Analysis of liabilities - Disputed priority claims



Priority claims in dispute	ISKm
Disputed 112 claims 31.12. 2014	7.565
Accepted as 113 claim	(1.304)
Rejected / withdrawn	(1.390)
Disputed 112 claims 31.3. 2015	4.872

Currencies in escrow accounts	Priority claims in dispute in escrow accounts 31.3.2015	Balance 31.3.2015 with accrued interest
	ISKm	ISKm
EUR	1.737	1.523
GBP	569	615
ISK	929	1.048
NOK	789	740
USD	847	900
	4.872	4.825

- On 16 March 2012 payments were made to priority claimholders that had undisputed claims. On that date sufficient cash was placed into escrow accounts to fully pay disputed priority claims. The claims in dispute on 16 March 2012 were ISK 52.9bn. These escrow accounts are not included in the Balance Sheet of Glitnir. Amounts that are not paid to priority claimholders when the disputes are resolved are paid back to Glitnir. The table shows changes in the escrow accounts from 31 January 2014 to 31 March 2015.
- The tables below provides an analysis of the amounts in the escrow accounts broken down by currencies. The amounts are based on foreign exchange rates on 22 April 2009.
- The balance which includes accrued interests is based on foreign exchange rate on 31 March 2015.

Asset / liability class analysis

I: Operating expenses analysis



ISKm	Q1 2015	Q1 2014
Salaries and Salary- related costs	106	198
Islandsbanki Service Agreement	62	81
Winding-Up Board fee	61	45
External Legal Services	137	327
<i>Domestic</i>	<i>96</i>	<i>133</i>
<i>International</i>	<i>42</i>	<i>194</i>
Other External Advisors	530	446
<i>Domestic</i>	<i>185</i>	<i>137</i>
<i>International</i>	<i>345</i>	<i>308</i>
Other Expenses	156	110
Total	1.052	1.207
VAT	128	80
Total expenses	1.180	1.287

- The table sets out the operating costs of Glitnir hf. (subsidiaries not included) for Q1 2015 compared with the operating costs Q1 2014.
- All cost of purchased services is presented without VAT. VAT on purchased services (domestic and international) is shown as a separate item in the table.
- The tax authorities are claiming further VAT on purchased service from foreign advisors which Glitnir is disputing.



Appendices

A wide-angle landscape photograph of a mountain range with colorful, eroded peaks in shades of red, orange, and brown. The foreground is a flat, rocky plain. The sky is blue with some light clouds. A solid red horizontal bar is positioned below the image.

Appendix 1: Foreign exchange rates

Appendix 2: Supplementary notes to financial information

Appendix 3: Valuation methodology

Appendix 4: Combined Income Statement

Appendix 1

Foreign exchange rates

Currency	22 April 2009	31 December 2011	31 December 2012	31 December 2013	31 December 2014	31 March 2014	Changes from 31 Dec 2014 to 31 Mar 2015
EUR	168,76	158,84	169,80	158,50	154,27	147,25	-4,6%
USD	130,40	122,71	128,74	115,03	126,90	137,21	8,1%
GBP	190,62	189,43	208,15	190,21	197,66	202,85	2,6%
CAD	105,16	120,21	129,36	108,07	109,59	107,57	-1,8%
DKK	22,66	21,37	22,83	21,25	20,72	19,71	-4,9%
NOK	19,26	20,40	23,04	18,92	17,14	16,91	-1,3%
SEK	15,28	17,79	19,76	17,95	16,44	15,86	-3,5%
CHF	111,68	130,66	140,64	129,19	128,29	140,97	9,9%
JPY	1,33	1,59	1,50	1,10	1,06	1,14	7,7%

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

Appendix 2

Supplementary notes to financial information

1. Basis of preparation

- The financial information has 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 information are not necessarily intended to represent prices at which an orderly transaction could take place between market participants as at 31 March 2015. Rather, such values are intended to represent the value of assets based on a longer term estimate of recoverable values.
- The reported liabilities as at 31 March 2015 have been based upon the claims received by Glitnir 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.

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 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.
- The asset realisation strategy and valuation methodology are likely to change over time as Glitnir 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 March 2015 (see Appendix 1). 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. Where comparative balances are presented, these have not been retranslated from the foreign exchange rates used as at that date.
- Given the current economic climate there are limited active markets for many of the financial instruments held by Glitnir. 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 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 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 Íslandsbanki. As part of this agreement, Glitnir took a 95 percent shareholding of Íslandsbanki. The investment in Íslandsbanki is valued at 95% of shareholders equity of Íslandsbanki as of 31 March 2015. The ultimate value realised through the shareholding in Íslandsbanki could be materially higher or lower than the equity value. The value of, timing of and mechanism for realising value from the shareholding remains subject to considerable uncertainty.

Information included in the financial information

- Financial information provided in this document was prepared using Glitnir's records, based on current available data and assumptions, which is subject to confirmation and change. Glitnir may amend, supplement or otherwise change the financial information it has previously provided. Due to the related uncertainties, the actual realisable value of Glitnir's assets and the amount of its liabilities may differ materially from the values set forth in this document.

3. Valuation principles

- A detailed description of the methodology for each asset category is shown in Appendix 3.

Appendix 3

Valuation methodology

1. Loans to customers

- The estimated values have been derived after consideration of Glitnir'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 March 2015. 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.

2. Derivatives

- Derivative assets amounts in the Statement of Assets and Liabilities represent net positions after consideration of the effects of set-off and valuation adjustments regarding the legal status of derivative positions.

3. Bonds

- The estimated value of 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 March 2015 and accordingly has been based on quoted prices or indicative broker quotes.

Appendix 3

Valuation methodology

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 March 2015 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. Glitnir 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.

5. Investment in subsidiaries

- The estimated value for investment in subsidiaries is based on equity of the subsidiaries.

6. Cash and cash equivalents

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

Appendix 4



Combined Income Statement

January - March 2015	
	ISKm
Net interest income	1.763
Valuation adjustments and provisions	2.228
Claims rejected and other changes in the claims	7.112
Net financial income and expenses *	10.706
Net interest income less impairment losses and write-offs	21.809
Net fee and commission expenses	(53)
Administrative expenses	(1.222)
Profit before tax	20.534
Taxes	(7)
Profit for the period	20.528
* Net financial income and expenses:	
Dividend income	1
Net trading income	3.504
Share in profit of subsidiaries	5.113
Net foreign exchange gain	2.088
	10.706