Glitnir banki hf

Statement of Assets and Liabilities

Incorporating an estimate of the value of assets as at 30 June 2009 and
a computation of liabilities

31 August 2009

Disclaimer

This document includes a Statement of Assets and Liabilities (incorporating an estimate of the value of assets as at 30 June 2009 and a computation of liabilities) of Glitnir banki hf. You should review carefully the Statement of Assets and Liabilities and read the Supplementary Notes and Appendices attached to it. 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 the Statement of Assets and Liabilities. Certain factors that might cause the actual value of Glitnir's assets and the amount of liabilities to differ are set forth in Supplementary Note 2, Limitations.

Under the terms of the Moratorium on creditor proceedings granted to Glitnir on 24 November 2008, as extended on 19 February 2009, no legal claim may be brought against the Bank until the end of the Moratorium. As a consequence of this and other factors, there may be potential claims of which the Resolution Committee is unaware. Due to the absence of any reliable information relating to these, no estimate of the resulting liability and associated cost has been incorporated in the Statement of Assets and Liabilities.

Introduction

Introduction

- Under the terms of the Moratorium on creditor proceedings granted to Glitnir banki hf. (“Glitnir” or “the Bank”) on 24 November 2008 by the District Court of Reykjavik, the Moratorium Appointee of Glitnir presented the assets and liabilities of Glitnir, together with an estimate of the value of the assets and a computation of the liabilities as at 31 December 2008.

- The Moratorium was extended on 19 February 2009 and the Moratorium Appointee and Resolution Committee now wish to present an updated estimate of the value of assets and computation of liabilities as at 30 June 2009 (the “Statement of Assets and Liabilities”).

- The Statement of Assets and Liabilities has been prepared by the Moratorium Appointee in conjunction with the Resolution Committee, and employees of Glitnir, incorporating the assistance of international professional service firms where appropriate. The Statement of Assets and Liabilities was approved by the Resolution Committee and the Moratorium Appointee on 11 August 2009.

- The Statement of Assets and Liabilities is presented in EUR throughout (other than page 7) and, unless otherwise stated, foreign currency values are translated at the mid rates published by the Icelandic Central Bank for 30 June 2009 (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 as at 31 December 2008 have not been retranslated from the foreign exchange rates used as at that date.

- The notes included in this document form an integral part of the Statement of Assets and Liabilities and should be reviewed in conjunction with it along with the Statement of Assets and Liabilities and associated notes as at 31 December 2008.

Statement of Assets and Liabilities

Statement of Assets and Liabilities

EURm	Notes	Recorded balance sheet amount as at 30.06.2009	Balances subject to set-off	Recorded balance sheet amount after set-off as at 30.06.2009	Estimated value of assets as at 30.6.2009 and computation of liabilities	Estimated value of assets 31.12.2008 and computation of liabilities
Assets						
Loans to customers	A	6.093	(2.574)	3.519	1.080	1.163
Loans to banks	B	2.529	(1.870)	659	649	664
Derivatives	C	789	(431)	358	358	426
Bonds and debt instruments	D	423	(315)	108	108	113
Shares and equity investments	E	198	-	198	198	127
Investment in subsidiaries	F	1.073	-	1.073	661	650
Cash and balances with central banks		422	-	422	422	155
Other assets		-	-	-	-	149
Total assets before instrument from Islandsbanki hf.		11.527	(5.190)	6.337	3.476	3.446
Instrument from Islandsbanki hf.		-	-	-	557 [1]	2.485
Total assets		11.527	(5.190)	6.337	4.033 [2]	5.932
Liabilities						
Debt issued and other borrowed funds	G	(15.734)	4.201	(11.533)	(11.533)	(12.210)
Subordinated bonds		(1.106)	-	(1.106)	(1.106)	(1.061)
Derivatives	C	(463)	-	(463)	(463)	(298)
Wholesale deposits		(374)	-	(374)	(374)	(324)
Deposits from central banks and other banks		(12)	-	(12)	(12)	(180)
Guarantees		-	-	-	(99)	(105)
Other liabilities		(140)	-	(140)	(140)	(43)
		(17.828)	4.201	(13.627)	(13.727)	(14.221)

1. The value and nature of the instrument from Islandsbanki hf. is currently uncertain due to the ongoing negotiations. The Resolution Committee has estimated the value of the instrument based upon its expectation of the likely outcome of such negotiations, and therefore the actual value and nature of the instrument may differ materially from this expectation (see page 9).
2. As noted in Supplementary Note 2, Limitations, there is considerable uncertainty regarding the ultimate realisable value of the Bank's assets. In order to illustrate this uncertainty, the Resolution Committee has made an estimate of the range of likely outcomes for asset realisation of 'Total assets' being EUR3bn to EUR5bn. Due to the extent of the uncertainty and other factors that may change, the actual outcome may fall materially outside this range.

Statement of Assets and Liabilities

ISKbn	Notes	Recorded balance sheet amount as at 30.06.2009	Balances subject to set-off	Recorded balance sheet amount after set-off as at 30.06.2009	Estimated value of assets as at 30.6.2009 and computation of liabilities		Estimated value of assets 31.12.2008 and computation of liabilities
Assets							
Loans to customers	A	1.093	(462)	631	194		198
Loans to banks	B	454	(336)	118	116		113
Derivatives	C	142	(77)	64	64		72
Bonds and debt instruments	D	76	(57)	19	19		19
Shares and equity investments	E	36	-	36	36		22
Investment in subsidiaries	F	193	-	193	119		110
Cash and balances with central banks		76	-	76	76		26
Other assets		-	-	-	-		25
Total assets before instrument from Islandsbanki hf.		2.068	(931)	1.137	623		586
Instrument from Islandsbanki hf.		-	-	-	100	1	422
Total assets		2.068	(931)	1.137	723	2	1.008
Liabilities							
Debt issued and other borrowed funds	G	(2.823)	754	(2.069)	(2.069)		(2.075)
Subordinated bonds		(198)	-	(198)	(198)		(180)
Derivatives	C	(83)	-	(83)	(83)		(51)
Wholesale deposits		(67)	-	(67)	(67)		(55)
Deposits from central banks and other banks		(2)	-	(2)	(2)		(31)
Guarantees		-	-	-	(18)		(18)
Other liabilities		(25)	-	(25)	(25)		(7)
		(3.199)	754	(2.445)	(2.463)		(2.417)

- As creditor balances are being crystallised in ISK as at 22 April 2009, the ISK equivalent Statement Assets and Liabilities is presented. Currency fluctuations in the liability balances may potentially materially impact comparison of estimated liabilities from one period to the next.

Statement of Assets and Liabilities

Movements in key asset classes

- The table below provides a commentary on the effect, where known, of various key factors which contributed towards the movement in assets classes.
- This table is not a comprehensive or exhaustive list of all the factors which explain these movements.

Balance	Commentary for movement
Loans to customers	• The recorded balance sheet amount for loans to customers increased as at 30 June 2009 primarily as a result of loans retransferred from Islandsbanki, and partly as a result of accrued interest and foreign exchange impact on the recorded balance sheet amount. These increases were partly off-set by loan repayments. • The total recorded balance sheet amount of loans retransferred was approximately EUR1,197m. The estimated recovery value of these loans is approximately EUR188m. • The movement in estimated recovery value has been impacted by (1) movements in foreign exchange rates over the period; (2) loans retransferred from Islandsbanki; and (3) loan repayments.
Loans to banks	• The principal driver for the increase in the recorded balance sheet amount of loans to banks as at 30 June 2009 is the reallocation of loans previously classified as loans to customers (for example Straumur EUR 151m and International banks EUR68m) and foreign exchange movements. • As at 31 December 2008, the majority of the loans to banks balance was subject to set-off as at 30 June 2009, with the majority of the estimated value as at 30 June 2009 being the loan due from the previous Glitnir subsidiary in Norway.

Statement of Assets and Liabilities

Movements in key asset classes

Balance	Commentary for movement
Derivative assets and liabilities	• The movement in the value of derivatives is due to a combination of factors. For trades that were not closed out under ISDA agreements, movements in underlying pricing inputs have caused value shifts. Additionally, for all trades, changes in netting assumptions and foreign exchange translation from ISK to EUR have impacted the recorded balance sheet amount.
Bonds and debt instruments	• The recorded balance sheet amount is presented as marked to market. The value of bonds in repo is netted against Debt issued and other borrowed funds. The value is based on default notices received from counterparties. After negotiations with counterparties the actual value is likely to differ from that presented here and may impact the value of set-off.
Shares and equity investments	• The increase in realisable value is due to an increase in the value of the equities and also as the bank has seized various equities that were previously held as collateral against loans.
Cash and balances with central banks	• The increase in the recorded book value of cash as at 30 June 2009 has been driven by proceeds from loan repayments and interest.
Instrument from Islandsbanki	• Due to scarcity of information as at 31 December 2008, the instrument from Islandsbanki was valued based upon the estimate made by the FME in November 2008. Since January 2009 the Resolution Committee and its financial advisers have been provided with substantial information on the Islandsbanki assets and liabilities and have been engaged in extensive negotiation with the Icelandic government on an appropriate "instrument" to reflect the net assets transferred from Glitnir to Islandsbanki. As a result, the Resolution Committee has estimated the value of the instrument based upon its expectation of the likely outcome of the current ongoing negotiations. • The ultimate value realised through this "instrument" could be materially higher or lower than the estimate provided. The value of, timing of and mechanism for realising value from the instrument remains subject to considerable uncertainty.

Statement of Assets and Liabilities

Movements in key asset classes

Balance	Commentary for movement
Other assets and Other liabilities	• Unsettled transactions previously classified as other assets and other liabilities have been reclassified to the appropriate item in the balance sheet.
Debt issued and other borrowed funds	• The reduction in the debt issued and other borrowed funds balance results from the removal of the liability associated with a tax driven SPV. In the recorded balance sheet amount as at 31 December 2008, these balances were overstated by approximately EUR470m. Additionally, there are other movements related to interest and foreign exchange.
Deposits from central banks and banks	• Nostro accounts have been transferred to Islandsbanki.

Supplementary notes

Supplementary notes

1. Basis of preparation

- The Statement of Assets and Liabilities 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 Statement of Assets and Liabilities are not necessarily intended to represent prices at which an orderly transaction could take place between market participants as at 30 June 2009. Rather, such values are intended to represent the value of assets based on a longer term estimate of recoverable values.

- 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.

- The computation of liabilities as at 30 June 2009 may not be complete or accurate as a number of the existing and potential liabilities are subject to legal uncertainty. As a result, the computation of liabilities included in the Statement of Assets and Liabilities has been estimated and will be subject to change and clarification over time. The Winding-Up Board of Glitnir is currently in the process of collating and approving all creditor claims against the Bank. This work commenced in May 2009 and is not yet complete. As a result, the computation of liabilities included in the Statement of Assets and Liabilities has been estimated and will be subject to change and clarification when the claims registration process is complete.

- 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. No consideration of this has been included in the Statement of Assets and Liabilities.

- In accordance with Act No. 44/2009, interest accruing on liabilities to 22 April 2009 has been included in the relevant liability categories. Interest accruing after this date remains as a liability of Glitnir but it is subordinated to other liabilities and as such has not been reported.

Supplementary notes

GLITNIR

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 Statement of Assets and Liabilities is presented in EUR throughout (other than page 7), with asset values translated at the mid rates published by the Icelandic Central Bank for 30 June 2009 (see Appendix 4). Foreign currency liabilities of Glitnir are to be translated into ISK as at 22 April 2009. In the Statement, liabilities have been translated into ISK at 22 April 2009 rates, and have been further translated into EUR at the ISK/EUR rate on 30 June 2009. 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 EUR may be materially impacted by future movements in foreign exchange rates. Comparative balances as at 31 December 2008 have not been retranslated from the foreign exchange rates used as at that date.

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

Supplementary notes

GLITNIR

2. Limitations (continued)

Estimated value (continued)

- Due to scarcity of information as at 31 December 2008, the instrument from Islandsbanki was valued based upon the estimate made by the FME in November 2008. Since January 2009 the Resolution Committee and its financial advisers have been provided with substantial information on the Islandsbanki assets and liabilities and have been engaged in extensive negotiation with the Icelandic government on an appropriate "instrument" to reflect value for the net assets transferred from Glitnir to Islandsbanki. As a result, the Resolution Committee has estimated the value of the instrument based upon its expectation of the likely outcome of the current ongoing negotiations. The ultimate value realised through this "instrument" could be materially higher or lower than the estimate provided. The value of, timing of and mechanism for realising value from the instrument remains subject to considerable uncertainty.

Information included in the Statement of Assets and Liabilities

- 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 estimated value of derivative positions is based on high-level assumptions regarding the Bank's counterparties, including which counterparties have issued legal default notices. The Bank has applied assumptions regarding the issuance of legal default notices but these may not be complete or accurate, and it is likely that information regarding the issuance of legal default notices will be amended or otherwise changed. Therefore, the actual realisable value of the Bank's assets and the amount of its liabilities may be materially different than the value set forth in this Statement of Assets and Liabilities.

- This Statement of Assets and Liabilities 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 this Statement of Assets and Liabilities. 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 this Statement of Assets and Liabilities.

Supplementary notes

GLITNIR

3. Balances subject to set-off

- Balances subject to set-off included in the Statement of Assets and Liabilities represent an estimate of the effect of both legal netting and creditor set-off based on an interpretation of the potential rights of the Bank and its counterparties. If the rights of the Bank and the counterparties were ultimately to prove different to that assumed, the estimated value of the Bank´s assets and the computation of its liabilities may be materially impacted.

3.1 Legal netting

- As part of the development of the realisation strategy, the Bank is undertaking a review of all default and close-out notices received on a counterparty-by-counterparty basis across all relevant financial instruments.

- **Derivatives** – given the volume of business undertaken by the Bank and the complexities involved in reviewing the population of transactions where many have been executed under master agreements and are now part of the default and close-out notice review, a number of assumptions have been made regarding the legal status and value of derivative positions in the Statement of Assets and Liabilities. These are set out in more detail in Appendix 3.

- **TRS** – with respect to the recorded balance sheet assets, the Bank has set-off the recorded balance sheet amount of TRS collateral. With respect to the corresponding liability set-off, the Bank has set-off the estimated value of the relevant assets. As a result, the amount set-off on the asset side is greater than that set-off on the liability side.

Supplementary notes

3. Balances subject to set-off (continued)

3.2 Creditor offset

- For assets and liabilities held with the same counterparty the Bank has applied the following netting assumptions to the Statement of Assets and Liabilities, based on the Bank's present legal interpretation:
  - known counterparties have had their liability positions netted against corresponding identifiable asset positions with the same counterparty; and
  - for the remaining liability positions where the identity of the ultimate beneficial owner is not known, an estimate of the impact of netting against assets on the balance sheet has been presented based on an extrapolation of known netting positions.

- Further, the Bank has applied the FME guidance dated 14 October 2008 to net down the balance sheet for counterparties with known liability positions at Islandsbanki with their corresponding assets held by Glitnir.

4. Range of likely outcomes

- The methodology used by the Bank to prepare the range of likely outcomes for asset realisation of total assets before instrument from Islandsbanki hf. shown in the Statement of Assets and Liabilities has been derived solely by adjusting credit risk assumptions on loans (including those in subsidiaries) and derivative assets. It specifically does not stress the base case for foreign exchange and interest rate movements, changes to bond and equity prices or changes to the status of legal netting. For the avoidance of doubt, no account has been taken in the range of likely outcomes for changes to the value of the instrument from Islandsbanki hf. The actual outcome may fall materially outside the range of likely outcomes.

Supplementary notes

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 discounted cash-flow model based on a ‘hold to sale’ or ‘hold to maturity’ strategy
Loans to banks	Credit adjusted discounted cash-flow model based on a ‘hold-to-maturity’ strategy
Derivative assets / liabilities international counterparties	For international counterparties: Realisable value estimated based on an assumed close-out on 7 October 2008
Derivative assets / liabilities Icelandic counterparties	For Icelandic counterparties: Realisable value with credit valuation adjustment. Balances due to / from Glitnir in respect of derivative trades that have matured between 7 October 2008 and 30 June 2009 have been included within derivative assets / liabilities to enable comparability between periods.
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
Instrument from Islandsbanki hf.	The value and nature of the instrument from Islandsbanki hf. is currently uncertain due to the ongoing negotiations. The Resolution Committee has estimated the value of the instrument based upon its expectation of the likely outcome of such negotiations, and therefore the actual value and nature of the instrument may differ materially from this expectation.

Appendices

Appendix 1 - Glossary of terms

Act	Act No. 125 / 2008
CSA	Credit Support Annex
EUR	Euro
FME	The Icelandic Financial Supervisory Authority
Glitnir or the Bank	Glitnir banki hf.
ICC	Informal Creditors' Committee
IRS	Interest Rate Swap
ISK	Icelandic Krona
Islandsbanki	Islandsbanki hf.
Moratorium	The Moratorium on creditor proceedings granted to Glitnir on 24 November 2008, and extended on 19 February 2009
OTC	Over the Counter
Repo	Sale and Repurchase Agreement
Resolution Committee	The Resolution Committee of Glitnir banki hf.
Statement of Assets and Liabilities	An estimate of the value of Glitnir's assets and a computation of its liabilities as at 30 June 2009
TRS	Total Return Swap

Appendix 2 – Asset / Liability Classes

A - Loans to customers

EURm	Recorded balance sheet amount as at 30.06.2009	Estimated realisable value as at 30.06.2009	Estimated realisable value as at 31.12.2008
Loans to Customers			
Recorded Balance Sheet amount	6.093		
Amounts subject to set-off	(2.574)		
	3.519	**1.080**	**1.163**

EURm	Recorded balance sheet amount as at 30.06.2009	Estimated realisable value as at 30.06.2009	Estimated realisable value as at 31.12.2008
Loans to Customers			
Currency Analysis			
EUR	967	123	163
GBP	224	142	138
ISK	794	40	40
NOK	541	386	444
USD	442	227	237
Other	551	162	141
Total Loans to Customers	**3.519**	**1.080**	**1.163**

- A significant proportion of loans to customers were subject to set-off:
  - EUR1,660m of loans have been allocated to an ongoing repo agreement with CBL; and
  - EUR914m has been allocated to loans previously sold under TRS agreements.
- The estimated value of the 'Amounts subject to set-off' shown in the adjacent table is EUR1,584m. This amount has been set-off against the corresponding liabilities.

Appendix 2 – Asset / Liability Classes

A - Loans to customers

EURm	Recorded balance sheet amount as at 30.06.2009	Estimated realisable value as at 30.06.2009	Estimated realisable value as at 31.12.2008
Loans to Customers after set-off			
Iceland			
Financial Institutions	67	-	
Holding Companies	1.637	134	45
Manufacturing	27	1	33
Property & Real Estate	165	11	38
Utilities	1	1	25
Other	240	29	8
	2.138	176	149
International			
Financial Institutions	125	36	31
Fish & Maritime	525	384	418
Holding Companies	97	89	54
Manufacturing	248	107	120
Retail	26	19	26
Property & Real Estate	13	6	
Utilities	23	18	18
Other	325	247	347
Total Loans to Customers	**3.519**	**1.080**	**1.163**

- Approximately 61 per cent of loans to customers by recorded balance sheet amount as at 30.06.2009 related to Icelandic counterparties.
- This increased from the 46 per cent as at 31.12.2008, due to the volume of loans retransferred from Islandsbanki, a significant portion of which related to Icelandic counterparties.
- By estimated value as at 30.06.2009, Icelandic counterparties represented 18 per cent (as at 31.12.2008: 13 per cent).
- The increase in the estimated realisable value of loans to Icelandic Holding Companies is primarily due to the transfer of loans from Islandsbanki and movements in foreign exchange as opposed to a material change in risk assessment.

Appendix 2 – Asset / Liability Classes

A - Loans to customers

EURm	Recorded balance sheet amount as at 30.06.2009	Estimated realisable value as at 30.06.2009	Estimated realisable value as at 31.12.2008
Loans to Customers			
Maturity Analysis			
Loans after application of set-off	3.519	1.080	1.163
Less: Risk Category F	(1.333)	(35)	(82)
Risk Categories A, B, C, D and E	2.187	1.046	1.081
< 1yr	979	356	366
1 - 2yrs	190	33	49
2 - 3 yrs	217	76	78
3 - 4 yrs	120	97	106
4 - 5 yrs	129	59	54
5 - 10 yrs	469	376	376
> 10 yrs	83	50	53
Total Loans to Customers	**2.187**	**1.046**	**1.081**

- The maturity profile of the loans is based on stated maturity only. It assumes repayment at contractual maturity only and does not disaggregate the amortisation of principal amounts into time buckets.
- Loans with the lowest internal risk category (F as at 30.06.2009 and C as at 31.12.2008) have not been included in the maturity analysis shown in the table. This is based on the assumption that they are non-performing and, accordingly, an estimate of contractual maturity is not meaningful as they are presumed to be in default.
- A significant proportion of loans which are due to mature within one year relate to revolving credit facilities and, as such, the contractual maturity is likely to be extended in the current credit environment.

Appendix 2 – Asset / Liability Classes

B - Loans to banks

EURm	Recorded balance sheet amount as at 30.6.2009	Estimated realisable value as at 30.06.2009	Estimated realisable value as at 31.12.2008
Loans to Banks			
Recorded balance sheet amount	2.529		
Loans subject to set-off	(1.870)		
	659		
Net loans to Icelandic counterparties	10	-	-
Net loans to international counterparties	11	11	26
Net loans to subsidiaries or former subsidiaries	638	638	636
Total Loans to Banks	**659**	**649**	**664**

- The majority of loans to banks have been subject to set-off and the breakdown of the loans to banks in the adjacent table is for net loans only.
- The majority of international loans to banks which were set-off represented collateral posted under CSAs, repos or TRS contracts, rather than term loans or money market loans with banks. As such, they were set-off against the corresponding liability in 'Debt issued and other borrowed funds'.

Appendix 2 – Asset / Liability Classes

C - Derivatives

EURm	Estimated value of derivative assets as at 30.6.2009	Computation of derivative liabilities as at 30.6.2009	Net as at 30.6.2009	Estimated value of derivative assets as at 31.12.2008	Computation of derivative liabilities as at 31.12 2008	Net as at 31.12 2008
Domestic Counterparties						
Banks and other financial institutions	2	-		45	(5)	
Investment companies	16	(173)		71	(92)	
Pension Funds	149	(21)		27	(0)	
Seafood Industry	20	-		7	-	
Public bodies	7	-		54	-	
Other Companies	18	(106)		45	(34)	
Individuals	2	(1)		1	(0)	
Total domestic	214	(300)	(86)	250	(131)	119
International Counterparties						
Banks and other financial institutions	117	(147)		139	(154)	
Investment companies	-	(15)		-	(15)	
Seafood Industry	12	(0)		22	(0)	
Other Companies	15	(1)		16	(1)	
Total international	143	(163)	(19)	176	(170)	6
Total domestic and international	**358**	**(463)**	**(106)**	**426**	**(302)**	**125**

Appendix 2 – Asset / Liability Classes

C - Derivatives

- For Icelandic counterparties:
  - the change in value of derivative assets is driven by interest and currency movements on open and maturing FX and Interest Rate derivatives, changes in netting assumptions and FX translation;
  - the change in value of derivative liabilities is twofold:
    - firstly, Icelandic derivative liabilities were previously assumed to be closed on 7 October 2008. Now these positions are included at their value on either maturity or as at 8 June 2009 (most current information available and as an approximation from 30 June 2009).
    - Secondly, interest and currency movements on open and maturing FX and Interest Rate derivatives, changes in netting assumptions and FX translation.
- For international counterparties the changes in value of derivative assets and liabilities is driven by changes in netting assumptions and FX translation.

Appendix 2 – Asset / Liability Classes

D - Bonds and debt instruments

EURm	Recorded balance sheet amount as at 30.06.2009	Estimated realisable value
Bond positions		
Recorded Balance Sheet amount	423	
Amounts subject to set-off	(315)	
	108	108

EURm	Estimated value
Bond positions	
Icelandic Sovereign	62
Icelandic Banks	3
Other Icelandic counterparties	7
International counterparties	36
	108

- A significant proportion of the bonds and debt instrument have been subject to set-off. These represent positions under repo contracts with a number of international and local counterparties.
- The estimated value of the amounts subject to set-off shown in the table is EUR315m. This amount has been set-off against the corresponding liability. At 31 December 2008 the equivalent amount subject to set-off was EUR506m. This change arises as the 30 June 2009 amount is based on counterparty notified values. These estimates are subject to review and challenge.
- The remaining unencumbered bonds are largely Icelandic Sovereign and International counterparties.

Appendix 2 – Asset / Liability Classes

E - Shares and equity instruments

EURm	Estimated realisable value 30.6.2009	Estimated realisable value 31.12.2008
Equities		
Listed	10	15
Unlisted	188	112
Total	**198**	**127**

- The increase in realisable value is due to increase in value of the equities and also as the bank has seized various equities that were previously held as collateral against loans.

Appendix 2 – Asset / Liability Classes

F - Investments in subsidiaries

EURm	Recorded balance sheet amount as at 30.06.2009	Country	Estimated value of underlying net assets as at 30.06.2009	Estimated value of underlying net assets as at 31.12.2008
Glitnir eignarhaldsfelag ehf.	-	Iceland		
ISB Norway AS	-	Norway		
ISB Luxembourg S.A.	1.058	Luxembourg		
Ruven Capital	15	Netherlands		
	1.073		661	650

Appendix 2 – Asset / Liability Classes

G - Liabilities

EURm	Recorded balance sheet amount as at 30.6.2009	Recorded balance sheet amount as at 31.12.2008
Debt issued and other borrowed funds		
International bond programmes	10.132	10.208
Domestic bond programmes	776	773
Loans from banks	4.785	5.608
Other	41	15
Total debt issued and other borrowed funds (before set-off)	15.734	16.605
Impact of set-off	(4.201)	(4.395)
Total debt issued and other borrowed funds (after set-off)	11.533	12.210

- Liabilities have been estimated applying the methodology ascribed under the Financial Undertakings Act. Under this Act, interest ceases to accrue after 22 April 2009.
- The reduction in loans from banks results from the removal of the liability associated with a tax driven SPV. In the recorded balance sheet as at 31 December 2008, these balances were overstated by approximately EUR470m. Additionally, there are other movements related to interest and foreign exchange.

Appendix 2 – Asset / Liability Classes

G - Liabilities

EURm	Recorded balance sheet amount as at 30.6.2009	Recorded balance sheet amount as at 31.12.2008
International bond programmes (before set-off)		
Currency analysis		
EUR	4.527	4.686
USD	3.797	3.712
GBP	526	517
CHF	413	441
AUD	296	278
CAD	137	135
JPY	114	121
Other	322	318
Total international bond programmes	10.132	10.208
Domestic bond programmes (before set-off)		
Currency analysis		
ISK	776	773
Total bond programmes (before set-off)	10.909	10.981

- Approximately 76 per cent of the total recorded balance sheet amount as at 31.12.2008 of international bond programmes were dominated in either EUR or USD.

Appendix 2 – Asset / Liability Classes

G - Liabilities

EURm	Recorded balance sheet amount as at 30.6.2009	Recorded balance sheet amount as at 31.12.2008
Loans from banks (before set-off)		
Currency analysis		
EUR	3.735	4.559
USD	515	498
ISK	267	278
GBP	120	116
SEK	51	54
CHF	43	46
Other	54	57
Total loans from banks (before set-off)	4.785	5.608

- Approximately 78 per cent of the total recorded balance sheet amount as at 30.06.2009 of international bond programmes were dominated in EUR.

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 30 June 2009. Rather, such values are intended to represent the value of assets based on a longer term estimate of recoverable values.

- The valuation technique uses a three step methodology:

  - **Step 1 -** an estimate of the net present value of each loan is calculated. The net present value is based on an estimate of the future interest cash flows using current rates and spreads and based on full repayment of principal. The discount rate applied to arrive at present value is not risk-adjusted.
  - **Step 2 -** application of credit risk adjustments. An adjustment is made to the net present value of loans, at a borrower level, based on a high-level estimate of the probability that the borrower could default prior to realisation and the recovery rate in the event of default. Borrowers were segregated into six risk categories based on an internal risk weighting methodology (see table below).
  - **Step 3 -** an estimate of the costs of realisation for the loans to customers and banks based on a forecast of operating costs for the Bank over the relevant period.

- Within each risk category the portfolio was subject to a high level review of borrower performance, collateral quality and subordination levels as well as a review of more general information about the economic outlook of each underlying sector. In the absence of specific indicators of a deterioration of value at a borrower level, default and recovery assumptions have been applied consistently at a risk-weighted level.

Appendix 3 – Valuation methodology

GLITNIR

1. Loans to customers and banks (continued)

Risk categorisation for loans to customers

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

GLITNIR

2. Derivatives

- Derivative assets and liabilities amounts on the recorded balance sheet represent net positions after consideration of the effects of netting and legal set-off. These have been based on the estimated realisable value recorded in the Bank's sub-ledger system.

- 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. An estimate of the close-out value of the net liabilities has been made based on the realisable value of the portfolio as at 7 October 2008. It should be noted that many close-out notices were received on dates other than 7 October 2008 and in some cases are still to be received. At present the statement does not reflect the valuation differences that may arise from 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 have remained open (subject to eliminating maturing trades). As a result the estimated values for Icelandic derivative counterparties is based on the realisable value of the net derivative assets and liabilities as at 8 June 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

GLITNIR

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 the credit and illiquidity risk associated 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 representative sector bodies with derivative exposures to the Bank.

3. Bonds

- The estimated value for the bond portfolio assumed to be unencumbered is based primarily on observable market inputs. The values represent an estimate of prices at which an orderly transaction could have been expected to take place between market participants on 30 June 2009 and accordingly has been based on quoted prices or indicative broker quotes.

4. Equities

- The estimated value for the listed equities portfolio assumed to be unencumbered is based primarily on observable market inputs. The value represents an estimate of prices at which an orderly transaction could have been expected to take place between market participants on 30 June 2009 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

GLITNIR

5. Investment in subsidiaries

- The estimated value for investment in subsidiaries is based on the estimated value of the underlying net assets held in the subsidiaries. The methodologies employed to estimate the value of the underlying assets and liabilities are the same as those employed for assets and liabilities held directly by the Bank.

6. Cash and balances with central banks

- The estimated value for cash recognised at the central bank is book value.

7. Instrument from Islandsbanki hf.

- Due to scarcity of information as at 31.12.2008, the instrument from Islandsbanki was valued based upon the estimate made the FME in November 2008. Since January 2009 the Resolution Committee and its financial advisers have been provided with substantial information on the Islandsbanki assets and liabilities and have been engaged in extensive negotiation with the Icelandic government on an appropriate “instrument” to reflect the net assets transferred from Glitnir to Islandsbanki. As a result, the Resolution Committee has estimated the value of the instrument based upon its expectation of the likely outcome of the current ongoing negotiations. The ultimate value realised through this “instrument” could be materially higher or lower than the estimate provided. The value of, timing of and mechanism for realising value from the instrument remains subject to considerable uncertainty.

Appendix 4 – Foreign exchange rates

Currency	Central Bank of Iceland – mid rates as at 15 November 2008	Central Bank of Iceland – mid rates as at 31 December 2008	Central Bank of Iceland – mid rates as at 22 April 2009	Central Bank of Iceland – mid rates as at 30 June 2009
EUR	171	169.97	168.76	179.41
USD	134.64	120.87	130.4	127.01
GBP	199.6	175.43	190.62	210.95
CAD	110.56	99.12	105.16	110.19
DKK	22.961	22.809	22.656	24.091
NOK	19.374	17.296	19.258	19.855
SEK	17.057	15.558	15.284	16.567
CHF	113.2	113.92	111.680	117.62
JPY	1.3862	1.3398	1.3319	1.3254