

Glitnir hf.
Financial Statements
for the year ended
31 December 2014

Glitnir hf.
Sóltún 26
105 Reykjavík
Iceland

Reg. no. 550500-3530

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Endorsement by the Winding-up Board and the CEO

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 assumed authority of the Board of Directors of Glitnir in accordance with the articles of the Company Law, including supervision of the bank's assets, as well as handling of all other businesses. On 15 October 2008 a new bank, Íslandsbanki hf., was founded by the authorities and domestic assets and deposits were transferred from Glitnir to Íslandsbanki hf. in accordance with decisions taken by FME. Foreign assets and all liabilities except for domestic deposits remained with Glitnir.

In May 2009 the Icelandic parliament passed amended the act of Financial Undertakings No. 161/2002 to authorise winding-up proceedings of financial institutions. The Winding-up board of Glitnir assumed all the tasks and responsibilities of the Resolution Committee as of January 2012. The change was instructed in amendments to the Act on Financial Undertakings, adopted by the Icelandic parliament as Act No. 78/2011 where the Resolution Committees of the banks in winding-up process were to discontinue by end of 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 protect and maximise of the value of the Company's assets and rights, to ensure that the Company's assets and rights are monetised in the most cost-effective manner, that claims are collected as well as deposits with other financial institutions 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.

Glitnir continued to actively manage and monetise its asset portfolio in accordance with the objective to maximise the value of assets until distribution can be made to unsecured creditors. The Winding-up board has made good progress in achieving settlements with holders of disputed claims. Disputed claims at year end were ISK 52.6 billion or 1.8% of the total amount of lodged claims.

In December 2013 the Icelandic Parliament passed amendments to the law on the Special Tax on Financial Institutions (act No. 155/2010) such that the tax should also apply for Financial Institutions in Winding-Up Proceedings. The Special Tax on Financial Institutions for Glitnir in 2014 was ISK 8.8 billion. The tax is accounted for in the Income Statement, but Glitnir will challenge the tax legality in the Icelandic courts. In note nr. 20 there are further information regarding the Special Tax on Financial Institutions and also regarding Special Financial Activity Tax.

According to the Income Statement, the profit for the year ended 31 December 2014 amounted to ISK 143.6 billion. Profit due to rejection of claims and settlements amounted to ISK 109.6 billion. Total equity as at 31 December 2014 was negative by ISK 1.322.4 billion 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 the CEO, contd.:

Statement by the Winding-Up Board and the CEO

The Financial Statements for the year ended 31 December 2014 have been prepared in accordance with the Icelandic Financial Statements Act.

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 the CEO give a true and fair view of the development and performance of the Company's operations during the year ended 31 December 2014 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 the CEO have today discussed the Financial Statements of Glitnir hf. for the year 2014 and confirm them by means of their signatures.

Reykjavík, 26 February 2015.

The Winding-Up Board

Steinunn Guðbjartsdóttir
Páll Eiríksson

Chief Executive Officer:

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 2014, 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.

The Winding-Up Board and CEO's Responsibility for the Financial Statements

The Winding-Up Board and CEO are 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 they determine 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 judgement, 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 policies 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 2014, and of its administrative expenses included in the financial performance for the year then ended in accordance with the Icelandic Financial Statements Act.

Emphasis of matter

Without qualifying our opinion, we draw attention to the Endorsement by the Winding-Up Board and the CEO, 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 104, Paragraph 2, 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 the CEO includes the information required by the Icelandic Financial Statement Act if not disclosed elsewhere in the Financial Statements.

Reykjavík, 26 February 2015.

KPMG ehf.

Sæmundur Valdimarsson
Helgi F Arnarson

Income Statement for the year ended 31 December 2014

	Notes	2014	2013
Interest income	3	7.230	8.352
Net reversal of impairment losses	4	44.115	59.604
Changes in claims	5	109.615	34.450
Net interest income, net impairment losses and write-offs		<u>160.959</u>	<u>102.406</u>
Fee and commission income		206	247
Fee and commission expenses		0 (	3)
Net fee and commission income		<u>206</u>	<u>245</u>
Net financial income and expenses	6	10.432 (	66.438)
Net operating income		<u>171.597</u>	<u>36.213</u>
Administrative expenses	7-9	(7.195)	(4.978)
Profit before taxes		<u>164.403</u>	<u>31.235</u>
Bank tax and Special Financial Tax	10-20	(20.793)	0
Profit for the year		<u><u>143.609</u></u>	<u><u>31.235</u></u>

Balance Sheet as at 31 December 2014

	Notes	2014	2013
Assets			
Cash and cash equivalents	11	636.959	538.121
Claims from derivative contracts.....	12	5.693	24.355
Bonds and debt instruments	13	59.061	88.420
Shares and equity instruments	14	21.574	30.970
Loans to customers	15	24.678	59.048
Investments in subsidiaries	16	205.586	184.083
Other assets	17	6.672	1.353
Total assets		<u>960.223</u>	<u>926.350</u>
Liabilities			
Claims	19	2.270.807	2.389.735
Taxes for the year	20	8.985	0
Other liabilities	21	2.800	2.593
Total liabilities		<u>2.282.591</u>	<u>2.392.327</u>
Equity			
Share capital		14.881	14.881
Accumulated deficit		(1.337.249)	(1.480.858)
Total negative equity	22	<u>(1.322.368)</u>	<u>(1.465.977)</u>
Total liabilities and equity		<u>960.223</u>	<u>926.350</u>

Statement of Cash Flows for the year ended 31 December 2014

	Notes	2014	2013
Cash inflow			
Loans to customers - principal and interest repayments		38.470	46.929
Loans to banks - principal and interest repayments		7	0
Claims from derivative contracts - repayments		26.492	8.201
Interest income on bank accounts		4.504	3.393
Dividend, equity and bond maturities and coupon receipts		7.820	24.219
Distribution from subsidiaries		35.392	59.124
Other inflow		1.332	4.270
Total cash inflow		<u>114.016</u>	<u>146.136</u>
Cash outflow			
New loans to customers .....	(	393)	0
Administrative expenses .....	(	7.466)	(5.321)
Payment of claims .....	(	1.814)	2.512
Taxes .....	(	11.766)	0
Other .....	(	142)	(48)
Total cash outflow		<u>(21.581)</u>	<u>(2.857)</u>
Increase in cash and cash equivalents		92.435	143.279
Effect of exchange rate fluctuations on cash and cash equivalents		6.403	(45.378)
Cash and cash equivalents at the beginning of the year		<u>538.121</u>	<u>440.219</u>
Cash and cash equivalents at the end of the year	11	<u><u>636.959</u></u>	<u><u>538.121</u></u>

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 its 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 Financial Statements Act.

The financial statements were authorised for issue by the Winding-Up Board and the CEO on 26 February 2015.

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 2014 and 2013 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 2014 and 2013 in currencies other than ISK are translated at year end rates 2014 and 2013, 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.:

2. Basis of preparation, 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 nominal 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 quoted market price at year end. 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 customers	Credit adjusted valuation based on a 'available for sale' or 'hold to maturity' strategy.
Investments in subsidiaries	The estimated value of the 95% share in Íslandsbanki hf. and the 51% share in Reviva Capital SA is based on equity value of the investments.

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 2014 and 2013, except for claims which have been translated into ISK at foreign exchange selling 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.

Notes, contd.:

2. Basis of preparation, contd.:

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 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:

	2014	2013
Cash and cash equivalents	4.504	3.393
Claims from derivative contracts	20	1.211
Loans to customers	2.706	3.748
Total	<u>7.230</u>	<u>8.352</u>

4. Net reversal of impairment losses

Impairment losses are specified as follows:

	Claims from derivative contracts	Bonds	Loans	Subsidiaries	Loans to banks and other	Total
2013						
Balance at the beginning						
of the year	138.449	141.777	513.258	175.623	205.560	1.174.667
Net reversal of impairment	10.782	5.239 (	8.088) (	42.642) (	24.896) (	59.604)
Write-offs	(20.326)	2.645 (	37.573)	0 (	78.862) (	134.115)
Foreign exchange difference						
on impairment	(966) (	1.121) (	6.991)	3.978 (	129) (	5.228)
Other changes	0	0	0	3.092	0	3.092
Provision at year end	<u>127.940</u>	<u>148.540</u>	<u>460.607</u>	<u>140.051</u>	<u>101.673</u>	<u>978.811</u>
2014						
Balance at the beginning						
of the year	127.940	148.540	460.607	140.051	101.673	978.811
Net reversal of impairment	(11.974) (	911) (	5.127) (	9.655) (	16.447) (	44.115)
Write-offs	(35.866)	7 (	58.726)	0 (	9.820) (	104.406)
Foreign exchange difference						
on impairment	(29) (	54) (	132)	6 (	2) (	211)
Other changes	0	0	0	1.307	0	1.307
Provision at year end	<u>80.071</u>	<u>147.582</u>	<u>396.621</u>	<u>131.710</u>	<u>75.403</u>	<u>831.386</u>

5. Claims register

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

	2014	2013
Claim liabilities at the beginning of the year	2.389.735	2.428.494
Claim liabilities at the end of the year	2.270.807	2.389.735
Changes during the year	118.928	38.759
Estimated netting changes	16.198	10.527
Payment of claims	(1.603)	1.984
Final set off	(27.816) (	7.279)
Other adjustments and changes	3.908 (	9.542)
Total Income Statement effect	<u>109.615</u>	<u>34.450</u>

Notes, contd.:

6. Net financial income and expenses

Net financial income and expenses are specified as follows:

Dividend income	2.513	2.000
Net gain on financial assets	3.181	3.511
Net foreign exchange gain (loss)	4.739 (	71.949)
Total	<u>10.432</u> (	<u>66.438)</u>

7. Administrative expenses

Administrative expenses is specified as follows:

Salaries and salary related expenses	652	573
Services from Íslandsbanki hf.	275	341
Winding-up Board	190	184
Domestic legal services	388	381
International legal services	451	494
Other domestic advisors	847	285
Other international advisors	1.426	1.652
Other operational cost	494	762
Value added tax	2.473	305
Total administrative expenses	<u>7.195</u>	<u>4.978</u>

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

Salaries and related expenses are analysed as follows:

Salaries	499	441
Contribution to defined contribution plan	97	67
Other salary-related expenses	57	66
Total salaries and salary-related expenses	<u>652</u>	<u>573</u>
Average number of employees	23	31

In addition three (2013: three) people worked for Glitnir outside of Iceland as contractors.

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

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

The CEO	46	39
Winding-up Board	190	184
Total	<u>236</u>	<u>223</u>

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.

Notes, contd.:

11. Cash and cash equivalents

Cash and equivalents are specified as follows:

	2014	2013
Cash and balances with banks	35.461	26.208
Term deposits	159.975	117.518
International treasury bills	408.803	365.168
Icelandic treasury bills and bonds	28.170	24.815
Restricted cash	4.549	4.411
Total	636.959	538.121

International sovereign bonds are specified as follows:

USA	139.109	128.467
Norway	65.234	57.364
France	49.368	48.248
UK	72.808	46.591
Germany	44.745	43.416
Canada	28.439	26.362
Netherlands	3.857	11.728
Denmark	0	2.991
Sweden	4.111	0
Australia	1.134	0
Total	408.803	365.168

Maturity profile as at 31 December are as follows:

	Deposits	Bonds	Total
2014			
0-3 months	65.950	127.103	193.053
3-6 months	65.984	204.188	270.172
6-9 months	68.051	98.582	166.633
Over 12 months	0	7.101	7.101
Total	199.985	436.974	636.959
2013			
0-3 months	59.720	159.018	218.738
3-6 months	67.823	137.913	205.737
6-9 months	20.595	68.884	89.479
Over 12 months	0	24.167	24.167
Total	148.138	389.982	538.121

12. Claims from derivative contracts

Claims from derivative contracts are specified as follows:

	International counter- parties	Domestic counter- parties	Total
2014			
Total net claims from derivative contracts, before set off against liabilities	964	14.423	15.387
Balance subject to set-off	0	(9.693)	(9.693)
Total 31.12.2014	964	4.729	5.693
2013			
Total net claims from derivative contracts, before set off against liabilities	14.610	25.366	39.976
Balance subject to set-off	(1.033)	(14.587)	(15.620)
Total 31.12.2013	13.577	10.778	24.355

Six of ten claims at year end are ongoing before the Icelandic courts. As of 31 December 2014 four claims have been settled and will be paid in 2015.

Notes, contd.:

13. Bonds and debt instruments

Bonds and debt instruments are specified as follows:	2014	2013
Governments	192	215
Financial institutions	22	23
Bond claims on subsidiaries	58.847	88.182
Total	<u>59.061</u>	<u>88.420</u>

14. Shares and equity instruments

Shares and equity instruments held at year end are specified as follows:	2014	2013
Listed shares	13	37
Unlisted shares	21.561	30.933
Total	<u>21.574</u>	<u>30.970</u>
Concentration by location of issuers of shares and equity instruments		
UK	2.687	3.992
Iceland	11.614	9.570
Canada	0	3.480
Norway	7.273	7.640
Other	0	6.288
Total	<u>21.574</u>	<u>30.970</u>

15. Loans to 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 geographical location of Glitnir's counterparties.

	Loans to customers 2014		Loans to customers 2013	
	Gross amount	Estimated realisable value	Gross amount	Estimated realisable value
Concentration by sector				
Financial Institutions	0	0	878	455
Seafood	3.193	2.691	5.504	4.041
Offshore & transport service	11.579	10.480	24.021	21.718
Holding Companies	34.373	701	71.199	6.175
Manufacturing	7.539	4.730	8.859	6.074
Property and Real Estate	4.224	462	6.343	654
Retail	0	0	7.013	7.013
Other	14.948	5.612	22.612	12.917
Total	<u>75.854</u>	<u>24.678</u>	<u>146.429</u>	<u>59.048</u>
Concentration by location				
Norway	22.758	15.589	38.784	29.763
United States	6.313	330	7.630	1.136
Iceland	38.616	5.084	78.181	12.185
UK	3.592	1.022	15.417	13.830
Canada	2.242	2.238	0	0
Germany	0	0	1.359	1.359
Denmark	1.976	414	3.860	320
Other	358	0	1.198	455
Total	<u>75.854</u>	<u>24.678</u>	<u>146.429</u>	<u>59.048</u>

Notes, contd.:

16. Investments in subsidiaries

Investments in subsidiaries are specified as follows:

	Country of incorporation	Ownership interest	Book value 2014	Book value 2013
GLB Holding ehf.	Iceland	100%	202.201	182.788
Glitnir Bank Luxembourg S.A.	Luxembourg	100%	0	1.294
FL Holding ehf.	Iceland	100%	3.385	0
Investments in subsidiaries total			<u>205.586</u>	<u>184.083</u>

GLB Holding ehf.:

Net assets of GLB Holding ehf. consist of following:

ISB Holding ehf. (95% share in Íslandsbanki hf.)	174.773	157.832
Other subsidiaries	4.265	4.197
Icelandic government bonds	9.955	17.226
Other assets	13.208	3.534
Total	<u>202.201</u>	<u>182.788</u>

Glitnir Bank Luxembourg S.A.

The value attributed to Glitnir Bank Luxembourg S.A. is the equity value of the subsidiary.

The valuation consist of:

Total equity of Glitnir Bank Luxembourg S.A. 1 January	1.294	11.114
Net loss in 2014	(1.265)	(9.303)
Foreign exchange loss	(30)	(517)
Value of Glitnir Bank Luxembourg S.A. equity 31 December	<u>0</u>	<u>1.294</u>

17. Other assets

Other assets are specified as follows:

Claims on bankrupt companies	2.533	810
Accounts receivable	136	538
Other assets	4.003	5
Total	<u>6.672</u>	<u>1.353</u>

Notes, contd.:

18. Combined Balance Sheet

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

	Glitnir hf.	GLB Holding	Glitnir Luxembourg S.A	Haf / Holt	FL Holding	Elimination entries	Combined
2014							
Assets							
Cash	636.959	13.053	4.750	2.553	3.201	0	660.515
Derivatives	5.693	0	0	0	0	0	5.693
Bonds	59.061	10.428	0	0	0 (	58.847)	10.641
Shares	21.574	3.570	0	6.436	0	0	31.580
Loans	24.678	0	26.444	15.671	0	0	66.793
Subsidiaries	205.586	174.632	132	0	0 (	205.586)	174.764
Other assets	6.672	548	237	5.120	185	0	12.762
Total assets	960.223	202.230	31.563	29.779	3.386	(264.433)	962.748
Liabilities							
Claims	2.270.807	0	0	0	0	0	2.270.807
Taxes for the year ..	8.985	12			1		8.998
Other liabilities	2.800	16	31.563	29.779	0 (	58.847)	5.311
Total liabilities	2.282.591	29	31.563	29.779	1	(58.847)	2.285.116
Equity							
Equity	(1.322.368)	202.201	0	0	3.385	(205.586)	(1.322.368)
Total liabilities and equity	960.223	202.230	31.563	29.779	3.386	(264.433)	962.748
2013							
Assets							
Cash	538.121	8.465	6.046	4.104	0	0	556.736
Derivatives	24.355	0	0	0	0	0	24.355
Bonds	88.420	11.656	0	0	0 (	88.182)	11.894
Shares	30.970	4.467	266	4.608	0	0	40.312
Loans	59.048	0	41.686	29.433	0	0	130.166
Subsidiaries	184.083	157.718	256	0	0 (	184.083)	157.974
Other assets	1.353	483	300	4.063	0	0	6.199
Total assets	926.350	182.790	48.555	42.207	0	(272.265)	927.637
Liabilities							
Claims	2.389.735	0	0	0	0	0	2.389.735
Other liabilities	2.593	1	47.260	42.207	0 (	88.182)	3.880
Total liabilities	2.392.327	1	47.260	42.207	0	(88.182)	2.393.615
Equity							
Equity	(1.465.977)	182.788	1.294	0	0	(184.083)	(1.465.977)
Total liabilities and equity	926.350	182.790	48.555	42.207	0	(272.265)	927.637

Notes, contd.:

19. Claims

The time limit for lodging claims in Glitnir's winding-up proceedings expired on 26 November 2009 and at 15 open creditors' meetings from December 2009 to December 2014 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 2014	Originally claimed amounts	Changes to claims register	Corrected claims register	Adjusted claimed amounts	Balance Sheet
Third party assets	33.146	514	33.660	(32.906)	754
Approval costs	25.316	(3)	25.313	(25.313)	0
Secured	40.725	(3.398)	37.327	(35.273)	2.054
Priority	258.129	(101.884)	156.245	(156.245)	0
Unsecured	2.973.195	(92.364)	2.880.832	(613.303)	2.267.529
Deferred	105.722	290	106.012	(105.542)	470
Total claims	3.436.233	(196.845)	3.239.388	(968.582)	2.270.807
December 2013					
Third party assets	33.146	514	33.660	(27.232)	6.428
Approval costs	25.316	(3)	25.313	(25.313)	0
Secured	40.725	(3.398)	37.327	(35.195)	2.133
Priority	258.129	(101.884)	156.245	(155.589)	656
Unsecured	2.973.195	(92.364)	2.880.832	(507.660)	2.373.171
Deferred	105.722	290	106.012	(98.664)	7.348
Total claims	3.436.233	(196.845)	3.239.388	(849.654)	2.389.735
Changes in Claim liabilities in 2014	0	0	0	(118.928)	(118.928)

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:

	2014	2013
Where claims have been rejected, withdrawn or closed with set-off or settlement	(866.866)	(707.062)
Where accepted priority claims have been paid	(84.439)	(79.661)
Where disputed priority claims have been paid (escrow)	(7.565)	(10.756)
Where there were errors or duplications in the claims registration list	0	(3.498)
Claims from Haf and Holt	0	(22.767)
Estimation of set-off	(9.711)	(25.909)
Total	(968.582)	(849.654)

Notes, contd.:

19. Claims, contd.

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

	Decisions made	Accepted claims	Reclass of accepted claims	Total accepted by WUB	Rejected claims
Third party assets	33.660	18.428	(11.730)	6.698	26.962
Approval costs	25.313	245	(125)	120	25.193
Secured	37.327	18.261	(18.261)	0	37.327
Priority	156.245	109.377	(30.195)	79.183	77.062
Unsecured	2.880.832	2.244.851	60.311	2.305.162	575.669
Deferred	106.012	0	0	0	106.012
Total	<u>3.239.388</u>	<u>2.391.163</u>	<u>0</u>	<u>2.391.163</u>	<u>848.226</u>

	Claims register	Unconditionally accepted / unsettled	Unconditionally rejected / settled	Unconditionally subordinated	Currently under conciliation
Third party assets	33.660	0	32.736	170	754
Approval costs	25.313	0	25.308	5	0
Secured	37.327	0	35.262	11	2.054
Priority	156.245	0	148.683	0	7.561
Unsecured	2.880.832	2.235.493	499.399	104.192	41.747
Deferred	106.012	0	41.104	64.437	470
Total	<u>3.239.388</u>	<u>2.235.493</u>	<u>782.492</u>	<u>168.816</u>	<u>52.587</u>

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 52.9 billion. 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. At year end, the balance of disputed priority claims in escrow accounts is ISK 7.5 billion.

Currencies in escrow accounts	Balance of disputed claims 31.12.2013	Repaid in 2014	Balance of disputed claims	Total as per rate on 31.12.2014
EUR	3.836	1.138	2.698	2.478
GBP	1.255	372	883	929
ISK	2.052	609	1.443	1.612
NOK	1.743	517	1.226	1.160
USD	1.871	555	1.316	1.292
Total	<u>10.756</u>	<u>3.191</u>	<u>7.565</u>	<u>7.470</u>

Currencies in escrow accounts	Balance of disputed claims 31.12.2012	Repaid in 2013	Balance of disputed claims	Total as per rate on 31.12.2013
EUR	13.782	9.947	3.836	3.613
GBP	4.510	3.255	1.255	1.265
ISK	7.374	5.322	2.052	2.213
NOK	6.261	4.519	1.743	1.786
USD	6.721	4.851	1.871	1.660
Total	<u>38.650</u>	<u>27.893</u>	<u>10.756</u>	<u>10.537</u>

Notes, contd.:

19. Claims, contd.

	2014	2013
Priority claims in dispute at 1 January (at the exchange rate of 22 April 2009)	10.756	38.650
Accepted as a priority claim	0 (	25.846)
Accepted as an unsecured claim	(141) (	12)
Claims rejected / withdrawn	(3.050) (	2.035)
Priority claims in dispute at 31 December (at the exchange rate of 22 April 2009)	<u>7.565</u>	<u>10.756</u>

At the end of December 2014 the Winding-Up Board has referred 276 cases relating to 356 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. Taxes

Joint taxation with Íslandsbanki:

Glitnir is subject to General Corporate Income Tax rate of 20%. Net operational loss can be used to offset Corporate Income Tax and therefore Glitnir had during the years 2009 - 2014 no payables relating to General Corporate Income Tax. Ordinarily, parent companies and their subsidiaries 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 banks 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 condition necessary for such joint taxation for the year 2010, which would have saved ISK 6.0 billion in income tax paid for that year (paid by Íslandsbanki). The Directorate of Internal Revenue rejected Glitnir's application for joint taxation for the year 2010. The ruling has been appealed and the case is now pending before the District Court of Reykjavík.

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 ISK 50 billion at the end of previous year.

The Special Tax on Financial Institutions for the year 2013, ISK 8.2 billion was paid in November 2014. The tax for the years 2013 (ISK 8.2 billion) and the tax for the year 2014 (ISK 8.2 billion) is recognized in the Income Statement. The tax for 2013 has been paid and the tax for 2014 is recognised in the Balance Sheet. Glitnir is challenging the legality of the Special Tax on Financial Institutions.

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 ISK 1 billion.

In December 2013, the Icelandic Parliament passed amendments to the law on SFAT to exclude joint taxation and the use of tax losses carry-forwards to offset taxable gains in the current year. The amendment came into force on 1 January 2014.

The imposition of SFAT on Glitnir in 2014 (for the year 2013) was ISK 3.4 billion. For the year 2014 (payable in 2015) the SFAT will be 1.0 billion. SFAT for the years 2013 and 2014 are recognized in the Income Statement. Glitnir is challenging the legality of the Special Financial Activity Tax.

21. 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.

Notes, contd.:

22. Equity

Changes in equity are specified as follows:

	Share capital	Accumulated deficit	Total
Equity as at 1 January 2013	14.881	(1.512.093)	(1.497.212)
Profit for the year		31.235	31.235
Equity as at 1 January 2014	14.881	(1.480.858)	(1.465.977)
Profit for the year		143.609	143.609
Equity as at 31 December 2014	14.881	(1.337.249)	(1.322.368)

According to a decision of FME on 7 October 2008 the Resolution Committee assume the authority of shareholders meetings, including voting rights. The Winding-Up Board assumed this authority at the beginning of 2012. 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.

23. Market risk

a. Interest rate risk

The types of interest rate risk faced by Glitnir is twofold. Firstly, 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.

Secondly, 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.

b. Breakdown by currencies

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

At 31 December 2014

	EUR	ISK	NOK	USD	GBP	Other	Total
Cash and cash equivalents	213.066	61.341	66.145	158.766	91.146	46.495	636.959
Bonds & shares ..	59.233	11.828	7.273	634	1.667	0	80.635
Loans to customers	4.730	5.084	10.117	927	1.022	2.797	24.678
Investments in subsidiaries	0	202.201	0	0	3.385	0	205.586
Claims from derivative contracts and other assets	1.426	9.129	648	696	467	0	12.366
Total financial assets	278.456	289.583	84.183	161.023	97.687	49.292	960.223
Total in %	29,0%	30,2%	8,8%	16,8%	10,2%	5,1%	100,0%

Notes, contd.:

23. Market risk, contd.

b. Breakdown by currencies

At 31 December 2013

	EUR	ISK	NOK	USD	GBP	Other	Total
Cash and cash equivalents	190.149	54.062	57.914	122.740	78.810	34.447	538.121
Bonds & shares ..	89.113	9.808	7.640	879	2.182	9.767	119.390
Loans to customers	11.306	12.075	21.798	4.297	8.469	1.103	59.048
Investments in subsidiaries	1.294	182.788	0	0	0	0	184.083
Claims from derivative contracts and other assets	3.249	12.132	0	10.328	0	0	25.709
Total financial assets	295.112	270.865	87.352	138.244	89.461	45.317	926.350
Total in %	31,9%	29,2%	9,4%	14,9%	9,7%	4,9%	100,0%

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

As of 31 December 2014 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 counterparties	Total Icelandic assets	Non - Icelandic assets	Total combined assets
Cash and cash equivalents	75.178	37.088	112.266	548.249	660.515
Claims from derivative contracts	4.729	0	4.729	964	5.693
Bonds and debt instruments	10.641	0	10.641	0	10.641
Shares and equity instruments	21.162	0	21.162	10.418	31.580
Loans to customers	17.218	2.576	19.794	46.998	66.793
Investments in subsidiaries	174.632	0	174.632	132	174.764
Other assets	8.982	121	9.103	3.660	12.762
Total assets	312.543	39.785	352.328	610.420	962.748
Total in %			36,6%	63,4%	100,0%

31 December 2013:

	ISK assets	Fx from Icelandic counterparties	Total Icelandic assets	Non - Icelandic assets	Total combined assets
Cash and cash equivalents	62.884	27.987	90.870	465.865	556.736
Claims from derivative contracts	10.778	0	10.778	13.577	24.355
Bonds and debt instruments	11.894	0	11.894	0	11.894
Shares and equity instruments	18.645	0	18.645	21.667	40.312
Loans to customers	32.610	5.752	38.362	91.804	130.166
Investments in subsidiaries	157.718	0	157.718	256	157.974
Other assets	5.900	0	5.900	300	6.199
Total assets	300.429	33.739	334.168	593.469	927.637
Total in %			36,0%	64,0%	100,0%