Glitnir Financial Statement 30 June 2016– Covering report

Introduction

The Consolidated Interim Financial Statements 1 January to 30 June 2016 for Glitnir HoldCo ehf. have been prepared in accordance with IFRS. This report has been prepared to assist noteholders with an understanding of the accounts.

It is intended that a call will be set up at 2pm (UK time) on Friday 2 September so that noteholders can ask questions to the Chairman and CEO about the quarterly accounts.

Comparative figures for previous year

Comparative figures in the income statements of the previous year are set out despite the opinion of Glitnir that they are not directly comparable due to the major changes that have been made to the company´s operations.

Foreign exchange loss:

The net financial expense for the half-year of €6.7 million in the Income Statement is referred to in Note 5. The main component is an FX loss of €6.40 million that is related to cash balances and reflects changes in exchange rate since 31 December 2015. A loss of €4.6 million arose on conversion of the ISK 75.4 billion in February 2016. €1.8 million is related to FX losses on other cash balances, mainly due to the weakening of the GBP against the euro. Nearly all these losses occurred in Q1.

Changes in provisions:

These are referred to in Note 6 and relate to a €7 million release from the Indemnity Fund (as identified in Note 10 b) and a €35.3 million release from Disputed Claims. Again these mainly occurred in Q1.

Net income from financial instruments at fair value:

Valuation of all the assets in the balance sheet, other than cash, and restricted cash is stated at fair value. In note 7 of the financial statements is a breakdown of the fair value changes attributable to each asset class.

Loans to customers:

Impairments of €6.6 million were recorded in Q2 reflecting more realistic assessments of the likely realisable value of the loan portfolio.

Íslandsbanki instruments:

The Íslandsbanki subordinated loan and the Íslandsbanki term deposit have been stated at fair value using pricing guidelines provided by external advisors. Following more detailed assessment of the way in which these instruments would be evaluated by a potential purchaser, reductions in fair value of €11.48 million were recorded in Q2 following reductions of €9.46m in Q1.

Shares and equity instruments:

The positive change in fair value of €4.3 million in Q2 reflects the net increase in value of the companies which there are equity stakes.

Administrative expenses:

Administrative expenses have reduced by 42% in Q2 reflecting tight cost control and in particular a reduction in the use of external advisers.

Net loss

The net loss of €43k represents the equity that needed to be issued in respect of the successful claim made by Williams and for which there was no cash consideration received. At composition €3.33 million was placed in an escrow account, and paid to the creditor after Supreme Court ruling. At the same time the share capital of Glitnir was increased by €43k.

Disputed claims

In accordance with Clause 12.2 of the Terms and Conditions of the Notes, the Board has decided to withhold information relating to the Disputed Claims as disclosure would be commercially prejudicial to the interests of Glitnir. The Disputed Claims have been stated in the Balance Sheet on a basis that reflects management's best estimate of the most likely outcome. These estimates have been supported by reviews conducted by external legal advisors. The major claims against Glitnir are currently being determined by the Icelandic courts and involve inherent uncertainty. Management realise the range of potential outcomes and have been realistic in their evaluation of the most likely outcome. However, management is hopeful that the outcomes will be more favourable than those shown in the financial statements. Restricted cash is held to cover the unlikely event that all claims were lost in full.