

Glitnir banki hf.

**Creditors' meeting – 22 September 2009, Hilton Hotel Nordica,
Suðurlandsbraut 2, 108 Reykjavík**

Questions and Answers

The recapitalisation of Islandsbanki

What voting process will be undertaken on deciding between the JCA and ACA?

No voting process will take place, as Glitnir does not currently formally know the identity and quantum of its creditors. What the Resolution Committee is going to do is to make its decision based on (1) the information it currently has available, (2) additional information received from ISB between now and the end of September, and (3) feedback from creditors that the Resolution Committee may receive. In that respect, the Resolution Committee would like to inform creditors that, should they wish, they can contact the Resolution Committee (at creditorcontact@glitnirbank.com) until the end of the month to give it any feedback.

When all of the above has been gathered, the Resolution Committee will have a final session with its financial advisors, where the pros and cons will be analysed and then a final decision will be made. The only thing that will affect the decision is which option is likely to maximise return for creditors given the inherent risks associated with the decision.

Please explain the concept of revaluing of bonds in the bond scenario.

Islandsbanki's profits (determined in accordance with IFRS) will be the result of operational profits and any profits arising from the revaluation of assets. At the appropriate time (31 December 2011 for Bond B and 31 December 2009 for Bond C), accumulated profits will be calculated (including any revaluation of assets if performed on an accruals basis). From those total accumulated profits, the cost of capital provided by the Government will be deducted in order to arrive at the revised profit number. 90% of this amount will be added to the value of the bond. More details of the calculation can be found in the information memorandum on the www.glitnirbank.com website.

Has the Resolution Committee or any of its advisors attempted to estimate the fair value of the optionality implied in the ACA?

It has been considered as part of the process but it is very difficult to value and is inherently uncertain.

How can we be expected to decide if we want to own Islandsbanki without updated financial statements? Why don't we wait until they are provided?

The Resolution Committee acknowledges that, in an ideal scenario, it would have access to audited financial statements for 2008 and interim financial statements for 30 June 2009. However, these are not available as described by ISB. What the Resolution Committee does have are: (1) the final draft of the 2008 financial statements, and (2) monthly financial management reports presented to the ISB board for January to July 2009. ISB is working extensively on interim financial statements as at 30 June 2009. These will be presented to the Resolution Committee before the end of the month. ISB is also working on various cash analyses which will support the interim financial statements.

The Resolution Committee is bound by the agreements that have been signed. These agreements are based on term sheets signed previously with Government

stipulating that a decision must be made by 30 September 2009. The Resolution Committee has raised with the Government the possibility of this deadline being extended but this has been rejected. The ICC also raised this point but the response of the Government was the same.

How involved is the Icelandic Prime Minister (and other government bodies) in discussions with the Resolution Committee?

To the knowledge of the Resolution Committee, the Icelandic Prime Minister has not been involved in discussions with the Resolution Committee. It is entirely up to the Resolution Committee (based upon advice from its advisors and feedback from creditors) to make the decision.

UBS has had various meetings with the FME in respect of Icelandic banking system, but has not experienced any political interference from the FME.

What type of compensation is offered by the Government in exchange for its failing supervisory role in the private scenario?

As indicated in previous comments, the Government has denied any such compensation, directly linked to certain events. On the other hand, the Government has been willing to help ISB going forward, as this is a common goal of the creditors and the Government. They have been providing a liquidity and capital facility in addition to the valuation compensation. Some creditors may wish to link that support to the alleged failings, however that has never been in any way stated by the Government.

How do you envisage organising the equity raising for the private scenario?

This question relates to any potential exit. It is very hard to give a definite exit strategy or timing. However, it is possible to highlight two potential exit strategies: (1) list the bank on the Icelandic or other European stock exchange. This can probably only happen from 2011 at the earliest; (2) sale (either 100% of the shares or a stake) to an international financial institution.

Who performs the valuation of bonds B and C and how can we be sure the valuations are independent (given valuation issues to date)?

The valuation mechanism for bond B and bond C are stipulated in the agreements entered into, and the Resolution Committee refers to the information memorandum that has been put on the web, where you will see the mechanism described in some detail. The Resolution Committee has negotiated that Glitnir will have a member of the due diligence team working with ISB management to ensure that the valuation is made according to acceptable standards. The documentation also provides that Glitnir has the right to appoint an independent valuation agent to verify the calculations.

Why is 30 September 2009 the deadline for deciding the ownership structure? It seems that there is too much work to do still on cashflows/viability by the deadline.

[As per previous answer] Based on negotiations made, the Resolution Committee has tried to move the deadline but the Government has rejected this.

If you had until 31 October 2009, what additional cash flow information could you provide?

What material new information does the Resolution Committee believe it would have? First it will have interim financial information as at 30 June 2009, together with more detailed monthly cash flow information.

ISB management has been asked to confirm that there is no additional information that they currently have that the Resolution Committee and financial advisors do not have. ISB management has confirmed this.

What is the definition of additional profit in the ACA agreement (for bond the B and C calculations)?

This is detailed in the information memorandum.

Was it a mistake to accept the tight timeline in the Heads of Terms?

The Resolution Committee believes the time allowed was sufficient to make the required decision. Creditors should also consider that the longer the Resolution Committee takes, the more expensive is the decision making process. There were many aspects of the negotiations on the compensation instruments and the Resolution Committee had to strike a balance in a number of areas, including the timeframe for selection of the options. It believes it will have all information sufficient to make an informed decision by 30 September 2009.

What happens if the Resolution Committee does not decide until after 30 September 2009?

The ACA will be in effect. The ACA has been in force since 13 September 2009. If the Resolution Committee does not decide to take the JCA by 30 September 2009, then the ACA will continue. According to the agreements, once 30 September 2009 has passed, if the Resolution Committee has not exercised its option to complete the JCA, it will terminate and only the ACA will remain in effect.

In the event that the Resolution Committee chooses the ACA option, what guarantees does the Resolution Committee have that the ISK50bn available to Islandsbanki will be used to expand lending in a commercially appropriate way, and not for 'social' purposes?

The only thing that can be said in respect of this is that if the Government owns all of the shares in ISB, it will have the power of a controlling shareholder. It must be pointed out however that ISB has to operate in accordance with rules set-out by the FME.

It is difficult to answer this question. ISB management can confirm that the Government has not significantly interfered to date in the operation of ISB. However, it cannot say what they may do going forward under either of the two options.

Would it not be appropriate for the Resolution Committee not to take the decision to acquire Islandsbanki if sufficient and reliable information is not provided?

As previously stated, the decision the Resolution Committee will make will be based upon available information. Its sole aim is to make a decision that will most likely maximise the value of assets, taking into account the inherent risks. If it does not receive sufficient information from ISB to be comfortable in taking the equity option, that will lead it to take the more cautious route (the ACA).

Would the members of the Resolution Committee be personally liable if they take such a decision without having sufficient information?

The Resolution Committee is of course responsible for every decision it makes in accordance with Icelandic law. It would like to point out that the Luxembourg decision (with much less information) has resulted in significant additional value for creditors.

Islandsbanki related questions

How will management be incentivised at ISB? Will the compensation scheme be the same under the JCA and ACA? Will compensation under the Bond A, B and C option be set to maximise potential value of bonds or to retain equity for future shareholders?

This is a sensitive issue in Iceland. Under the ACA, if the Government owns ISB, it is stipulated in the agreements that the creditors have the possibility to incentivise management at their own cost. This would have to be done through the member of the compensation board of ISB (one member will be from the Government). There are possibilities under the ACA to do this, but we are more restricted under the ACA than the JCA.

Under the JCA, Glitnir will own 95% of the ISB and so has greater ability to incentivise management of ISB. However, the Resolution Committee will always take into account the environment here in Iceland, the environment in the countries around us (and it notes current G20 and other discussions relevant to this issue).

In respect of Islandsbanki, can you please clarify the net interest margin of ISK500m per month, excluding operating expenses. What are monthly operating expenses and therefore current monthly profitability?

ISK500m relates to the positive cash flow. The positive cash flow relates to ISK4.7bn of paid interest from loan book (monthly) less ISK3bn interest rate on deposits (paid and unpaid) and operating expenses of ISK1.2bn. All amounts are approximate.

What is the current equity book value of Islandsbanki?

This information is not yet available publicly. Directionally, though the book value will be approximately equal to the ISK65bn the Government has contributed to ISB plus the accumulated profit for the year (which is not yet available).

How has cash and government securities [in Islandsbanki] gone from ISK53bn to ISK174bn?

Having consulted with ISB management, the increase between the opening balance sheet and other information is mostly due to Government capital injection (ISK65bn) and deposit inflow (including the deposits of Straumur).

What is the monthly cash flow in Islandsbanki from loan repayments (principal and interest)?

These are unaudited figures, but total cash flow is approximately ISK10bn of which ISK4.7bn is interest. The remaining is principal repayment. The outflow of new lending has been limited, at around ISK1-2bn per month. So there is a sizeable net inflow at the moment although this is likely to change going forward.

By what percentage has the loan book [in Islandsbanki] contracted since October 2008 as a result of paydowns?

ISB management is unable to give figures at this stage.

How are charge-offs [write-offs] comparing with assumptions made when assets were valued after being transferred to Islandsbanki?

ISB management is unable to give figures at this stage.

Questions for the Winding-Up Board

How do you determine the various creditor classes and the distribution of assets?

In the bankruptcy law, the claims are ranked in various categories. When the Winding-Up Board makes a distribution, all claims ranked in the same category will be treated equally.

We are shareholders in Glitnir. Are we entitled to any compensation? Do we need to register our claim?

Any creditor should of course register its claim, otherwise they will not get compensation. However, based upon current information, it is unlikely that Glitnir will pay deferred claims.

Some concerns have been expressed over the legitimacy of FX loans. Do those that have taken such loans need to file claims on Glitnir? Or will those loans remain in Islandsbanki?

The Winding-Up-Board cannot advise creditors if they should file claims. If they are in doubt, they should seek Icelandic legal advice.

What are the purpose and agenda of the Moratorium creditors' meeting scheduled for 5 November 2009?

At the meeting on 5 November 2009, it is intended to inform creditors in respect of status of the bank, the Statement of Assets and Liabilities and to discuss next steps and whether the Moratorium should be extended or not.

Legal proceedings have been commenced in Iceland which maintain that Money Market Deposits are deposits under the law and were transferred to the New Banks in October 2009. Alternatively, they have priority status in the Old Banks. How has the Resolution Committee addressed this issue in assessing Islandsbanki and agreeing the proposals?

According to the understanding of the Winding-Up Board, no money market deposits were transferred to ISB. However, in addition, the negotiations do not involve any ranking or recognition of claims. There is a disclaimer in relation to this in the agreements.

Questions in respect of the Statement of Assets and Liabilities of Glitnir

Can you give a better insight into how the investment in the Luxembourg subsidiary is structured? Also, how and when do you expect to recover the underlying value in the investment?

This will be covered extensively later in the meeting. In addition, more detailed financial information is shown on the www.glitnirbank.com website.

Please comment on the development of assets in Glitnir since the 30 June 2009 valuation.

The Resolution Committee intends to make a Statement of Assets and Liabilities public every six months, so the next Statement of Assets and Liabilities will be as at 31 December 2009 and will be released early in 2010. The Resolution Committee is not aware of any material movements in the valuations presented in the Statement of Assets and Liabilities as at 30 June 2009.

Can you please provide some information on the costs of the Resolution Committee as well as the fees the Resolution Committee is paying to its advisors?

Having taken legal advice, this has not been made public yet. However, the Resolution Committee can confirm that Glitnir is under budget in this respect. It will put the total costs of Glitnir on the web at the appropriate time. The Resolution Committee will obtain legal advice to see how much detailed information can be put on the web.

Please explain the Old Bank / New Bank relationship in respect of set-off and guarantees.

The Resolution Committee refers to extensive information memorandum on the web where this is covered.

In the agreements, the Resolution Committee also made an agreement with ISB regarding set-offs. It was stipulated by the FME when the banks were split, that customers should not be prevented from making a set-off if assets had moved to the New Bank from the Old Bank. The Resolution Committee has made an agreement with ISB in relation to this situation. If ISB is subject to set-off with assets put into the New Bank, Glitnir will pay ISB for the loss it has incurred in this basis. This will be based on the valuation of the assets when put into the New Bank. Then after the first valuation date (31.12.09) when the value of Bond C will be determined, this valuation point will be used going forward. When Bond B is decided (31.12.11) then that valuation date will be used. The Resolution Committee thinks this is a fair approach for both parties.

Regarding commercial guarantees, the FME published an order that certain guarantees will be transferred to the New Bank (regarding domestic operations) that remains part of ISB. There were other guarantees remaining in Old Bank.

Feedback from creditors

Statement from Rettur ehf on behalf of certain commercial bank creditors

Arnar þór Jónsson from Rettur ehf. read out an extract from a letter, addressed to the Resolution Committee. The letter highlighted certain concerns with the process run by the Resolution Committee, and included:

- as a body appointed by the FME, the negotiation that took place was essentially one government body negotiating with another;
- that this meeting today cannot be construed as a formal vote by creditors on the actions of the Resolution Committee due to the fact that the claims registration process has not been completed;
- dissatisfaction that the Resolution Committee finalized an agreement with the Icelandic Government determining compensation due to creditors without allowing their participation;
- it is requested that our clients be provided with immediate and detailed information on any recoveries which they can expect to receive; and
- if – as implied in various media reports - the intended purpose of this meeting is to secure feedback from the creditors with regard to the agreements already signed by FME-appointed representatives, our clients would like to submit that commenting on a transaction already completed on their behalf and without consultation in advance is, in their view, a futile exercise.

Arni Tomasson replied, on behalf of the Resolution Committee. Whilst he does not agree with the comments made by Rettur ehf., he took them seriously and they would be carefully considered.