

Glitnir banki hf.

Business Plan

25 March 2010

Introduction and disclaimer

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

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Introduction

- As announced at the creditors' meeting of Glitnir banki hf. ("Glitnir") on 19 May 2010, the Resolution Committee commenced the preparation of a Business Plan in April 2010. A draft of the Business Plan was presented to and discussed with Glitnir's Informal Creditors' Committee ("ICC") at its meeting on 17 May 2010, and updated versions of the Business Plan have subsequently been shared with the ICC.
- Given the highly sensitive nature of many parts of the Business Plan, it is not possible to share the document with all creditors. However, a summary version of the key outputs, together with some introductory narrative, was first published on Glitnir's website on 27 September 2010. This document represents an updated summary version of the Business Plan.
- The Business Plan summarises Glitnir's current objectives and strategy for realising its assets. This is supported by asset portfolio and operating expenses cash flow projections on a quarterly basis from 1 January 2011 until 31 December 2019, referred to herein as the Forecast Period, and the total cash flow for the period after 31 December 2019, together (the "Forecasts"), as well as supporting analyses for asset classes and key assets. In addition, the Business Plan includes supporting narrative regarding sources of information, key assumptions and methodologies, inherent limitations, risks and sensitivities. Amounts in respect of forecast distributions have been excluded.



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Purpose of the Business Plan

- The Business Plan has been prepared by the Resolution Committee with the following principal objectives:
 - To provide information to stakeholders regarding the Bank’s objectives and strategy for realising assets;
 - To provide information to stakeholders in respect of the potential quantum and timing of cash flows arising from the Bank’s asset portfolio;
 - To provide stakeholders with preliminary and high level estimates of the potential quantum and timing of distributions to creditors;
 - To provide an operational tool for the Resolution Committee to assist it in defining the Bank’s strategy as it moves toward a composition or other restructuring (including making interim distributions to creditors of the Bank);
 - To provide benchmarks that will allow the Resolution Committee to better monitor the Bank’s performance and its various asset realisation strategies; and
 - To provide the Bank and its stakeholders with information regarding the potential impact of certain key risks to the quantum and timing of cash flows realised from the Bank’s assets.



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Preparation of the Business Plan

- This Business Plan has been prepared by the Resolution Committee in conjunction with the Winding-Up Board and employees of the Bank, with the assistance of the Bank's advisers as appropriate.
- The current version of the summary Business Plan was approved for the purposes of discussion with the ICC by the Moratorium Appointee, the Resolution Committee and the Winding-Up Board on 24 March 2011.
- It is the current intention of the Resolution Committee to update the Business twice a year.
- All information used to prepare the Business Plan has been obtained from the Resolution Committee, Winding-Up Board or Glitnir's employees (including employees of Glitnir's internal sources, including subsidiaries) together with certain external information where relevant (e.g. market data relating to foreign exchange and interest rates).
- The ultimate task and focus of the Resolution Committee is to maximise the value of the Bank's assets on behalf of its creditors. As such, the Resolution Committee has developed strategies for each asset class which aim to realise the maximum return for creditors whilst taking into account the risk profile of the relevant assets. In general, the Bank's current strategy is to hold assets to maturity unless it believes an early exit can be achieved without reducing realisable value on a net present value basis, which, in turn, will depend upon the use of an appropriate blended discount rate. The Forecasts within the Business Plan have been prepared on the basis of the Bank's current asset realisation strategies.



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Key overriding assumptions

- The Forecasts have 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 estimated cash flows attributed to each asset are dependent on the realisation strategies presently adopted for the Bank's assets.
- The estimated cash flows for certain asset classes represented in the Forecasts are not necessarily intended to represent prices at which an orderly transaction could take place between market participants. Rather, such amounts are intended to represent the expected cash flows from assets based on a longer term estimate of recoverable amounts.
- The Forecasts aim to produce illustrative cash flows reflecting Glitnir's current estimations of recoverable amounts, as captured through the credit management process, from the Bank's assets, net of ongoing operational expenses and upward distributions from its subsidiaries.
- High level and preliminary estimates have been made regarding the potential timing and quantum of distributions to creditors. Further detail regarding interim distributions can be found on the creditor communication document on Glitnir's website.
- The Forecasts are related to Glitnir banki hf. only and not the Glitnir Group.
- None of the cash flows contained within the Forecasts have been discounted.
- The Forecasts assumes that foreign exchange rates will remain at the spot rates as at 31 December 2010.
- Interest rates contained within the Forecasts are based upon the rate at the last fixing date for loan assets.
- All cash flows contained within the Forecasts are assumed to occur at the end of the relevant quarter within the Forecast Period.
- No account has been made of potential recoveries from the work being carried out by the Winding-Up Board and its advisers relating to Glitnir's pre-collapse operations (including the complaint filed in New York on 12 May 2010).



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Limitations

- The methodology used to estimate the future cash flows generated by the 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 strategies 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 cash flows generated from assets are sensitive to changes in market conditions (including, without limitation, interest rates, foreign exchange rates, equity prices, market indices and counterparty credit worthiness) and, as such, the cash flows presented are estimates based on the application of an asset realisation strategy at a point in time.
- A significant proportion of the assets and liabilities of Glitnir are denominated in foreign currencies. As a result, the estimated cash flows generated from assets presented here may be materially impacted by future movements in foreign exchange rates.
- Given the current economic climate, there are limited active markets for some of the financial instruments held by the Bank. Accordingly the Resolution Committee has applied considerable judgement in determining the estimate of cash flows for certain asset classes, notably those relating to loans to customers, unlisted equity instruments and complex derivative products.

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Limitations

- The Forecasts include assumptions regarding the future monetisation of Glitnir's 95% share in Islandsbanki. There is considerable uncertainty in respect of the timing and quantum of this monetisation.
- Through various assets in its portfolio Glitnir has exposures to numerous geographies. As a result, the macro economic events in these geographies may materially impact the timing and quantum of future cash flows.
- The determination of the ownership of certain assets is not complete. Particularly, 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 future cash flows from the Bank's assets may be materially impacted.
- The Forecasts were 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 the Forecasts. Due to the related uncertainties, the actual cash flows generated from the Bank's assets may differ materially from the cash flows set forth in the Business Plan.



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Summary outputs

| ISKbn | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | Post 2019 | Total |
|----------------------|-------|-------|------|-------|-------|------|------|------|------|-----------|-------|
| Opening cash | 259 | 144 | 40 | 35 | 30 | 25 | 20 | 20 | 20 | 20 | 259 |
| Net cash flow | 56 | 153 | 89 | 104 | 150 | 16 | 9 | 4 | 2 | 26 | 609 |
| Distribution | (171) | (257) | (94) | (109) | (155) | (21) | (9) | (4) | (2) | (46) | (868) |
| Closing cash | 144 | 40 | 35 | 30 | 25 | 20 | 20 | 20 | 20 | 0 | 0 |
| | | | | | | | | | | | |
| % of total collected | 36% | 54% | 64% | 76% | 93% | 95% | 96% | 97% | 97% | 100% | 100% |

| EURm | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | Post 2019 | Total |
|----------------------|---------|---------|-------|-------|---------|-------|------|------|------|-----------|---------|
| Opening cash | 1,685 | 934 | 260 | 228 | 195 | 163 | 130 | 130 | 130 | 130 | 1,685 |
| Net cash flow | 364 | 998 | 582 | 673 | 975 | 103 | 61 | 26 | 12 | 166 | 3,959 |
| Distribution | (1,115) | (1,671) | (614) | (706) | (1,007) | (136) | (61) | (26) | (12) | (296) | (5,644) |
| Closing cash | 934 | 260 | 228 | 195 | 163 | 130 | 130 | 130 | 130 | 0 | 0 |
| | | | | | | | | | | | |
| % of total collected | 36% | 54% | 64% | 76% | 93% | 95% | 96% | 97% | 97% | 100% | 100% |

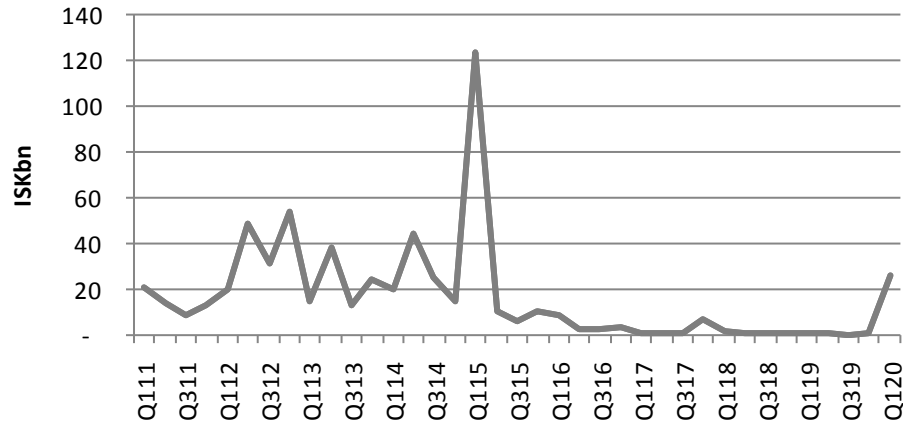
- The tables above summarises Glitnir's forecast cash flow, including estimates regarding the impact of distributions, in both ISK and EUR.
- By the end of 2011, Glitnir is forecasting that 36% of total cash will have been collected from its asset portfolio, with 93% being forecast to have been collected by the end of 2015.

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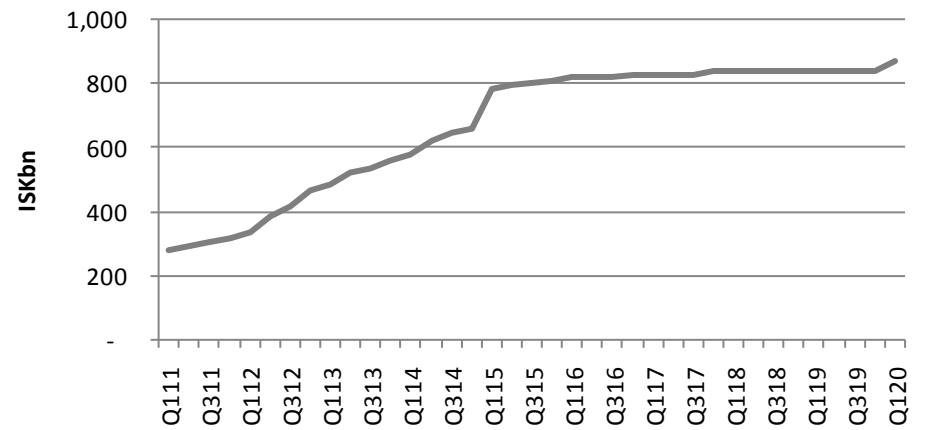
Summary outputs ISK



Total quarterly cash flow (excluding distributions)



Total cumulative quarterly cash flow (excluding distributions)

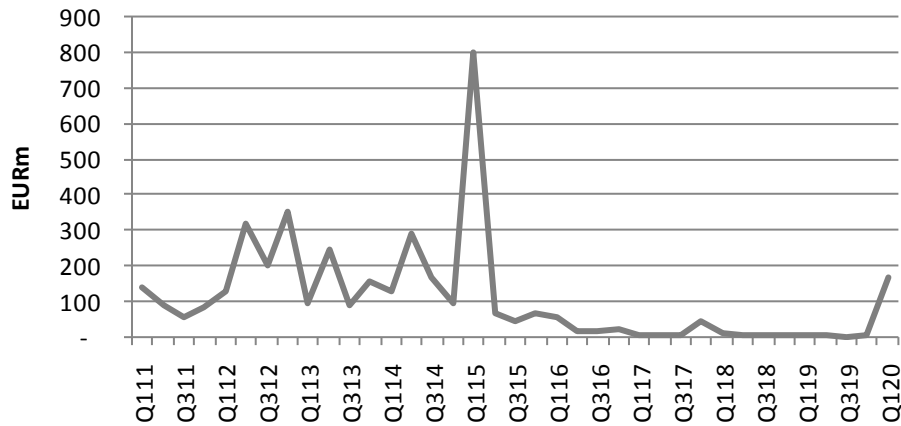


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Summary outputs EUR



Total quarterly cash flow (excluding distributions)



Total cumulative quarterly cash flow (excluding distributions)

