



Glitnir banki hf.

Presentation to the Fifth Informal Creditors' Committee Meeting

13 May 2009

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Winding Up Board

Update



- The Icelandic parliament has now passed the Bill of Legislation to amend the act of Financial Undertakings No 161/2002
- The key issues of the Bill and the legal environment are:

1. The extension of the Moratorium

- By a special provision of the Bill, Glitnir will be entitled to have its Moratorium extended for as long as 24 months calculated from 24 November 2008. As long as the Moratorium is in effect the Moratorium Appointee shall hold open creditors' meetings with the banks creditors. The next creditors meeting will be held in Reykjavik 5 November 2009. According to a temporary provision in the Bill, the rules of chapter IV of the Bankruptcy Act no longer apply to the Moratorium but are replaced by the rules concerning working practices of liquidators as provided for in the Bankruptcy Act.

2. On the winding-up proceedings

- The Bill has new rules about the winding-up proceedings of financial institutions. The rules are similar to the rules on insolvency proceedings according to the Bankruptcy Act. As a result of a temporary provision in the Bill, all the principal rules of the winding-up proceedings in the Bill apply to the banks whether the Moratorium is in effect or not.
- In the case of the three banks, there are several derogations from the general rules of the Bill on winding-up proceedings. These derogations are described in the temporary provisions. The principal derogations are:
 - the provisions on appointing a provisional Board of Directors for a financial undertaking do not apply as a Resolution Committee has already been appointed;
 - provisions on the initiation of winding-up proceedings do not apply, because the three banks will automatically enter winding-up proceedings without a court ruling once the moratorium concludes;
 - the provisions on reference dates do not apply to the three banks. The reference date for the three banks is 15 November 2008;

Winding Up Board

Update

2. On the winding-up proceedings (continued)

- the Banks' Resolution Committees will continue to operate and to perform certain tasks and in so doing handle the administrative aspects of the winding-up proceedings which would otherwise be entrusted to the Winding Up Boards. The Resolution Committees will continue to act under the direction of the FME; and
- the District Court judge has appointed a Winding Up Board which will handle those aspects of the winding-up not dealt with by the Resolution Committee. The members of the Winding Up Board are:
 - Steinunn Guðbjartsdóttir, supreme court attorney
 - Einar Gautur Steingrímsson, supreme court attorney
 - Páll Eiríksson, district court attorney

3. Role of the Resolution Committee

- The Resolution Committee will continue its work and its role will be largely unchanged. Its principal tasks will continue to be:
 - to continue to administer Glitnir authorised activities under the supervision of FME;
 - to continue to serve as Glitnir Board of Directors and exercise the rights and obligations formerly held by the Board and shareholders' meeting;
 - to assess Glitnir's assets once the time limit for submission of claims has passed for the purpose of deciding whether the bank's assets are sufficient to cover its obligations;
 - to work towards obtaining the highest possible value for the bank's assets, including waiting for outstanding claims to fall due if considered necessary rather than attempting to sell them off immediately;
 - to convene and direct creditors' meetings, as deemed suitable, to present the measures taken by the Resolution Committee; and
 - the Resolution Committee is to ensure that the bank's assets and rights are disposed up in the most cost-effective manner, that claims and amounts on deposit are collected, that no rights are lost which could be of value and that all necessary actions are taken to prevent damage to the bank's interests.

Winding Up Board

Update

4. Role of the Winding Up Board

- The Winding Up Board must issue and have published twice in the Legal Gazette a notice to creditors on the winding-up. The following considerations apply to the notice of creditors and the time limit for submitting claims:
 - the time limit for submitting claims is determined by the Winding Up Board, but it can be from two to six months from the date of the publication of the advertisement;
 - in addition to its publication in the Legal Gazette, notice is sent to all known creditors of the bank abroad;
 - claims received after the expiration of the time limit cannot be considered, except in exceptional cases. If such exceptions do not apply, the claims not properly submitted are void against the bank; and
 - the notice to creditors must state the location and time of a creditors meeting to review the list of claims submitted to the Winding Up Board. Such a meeting must be held within a month of the expiry of the time limit for submission of claims. At this same meeting the Resolution Committee must submit a report on its assessment of the bank's assets.

Winding Up Board

Update

4. Role of the Winding Up Board (continued)

- Following the expiration of the time limit for submission of claims, the Bank must compile a list of the claims submitted. At the same time, the Winding Up Board must make decisions on recognising individual claims and report on these decisions in the list of claims. Various rules are provided for in the Bankruptcy Act.
 - if a claim is rejected by the Winding Up Board, the creditor must be verifiably notified of such rejection at least one week prior to the creditors' meeting. Further explanation of the Winding Up Board's grounds for rejection shall be provided at the meeting;
 - a copy of the Winding Up Board's list of claims must be available and accessible to creditors who have submitted claims against the bank a week prior to the meeting;
 - a creditor unwilling to accept the decision of the Winding Up Board on his claim must state his objections at the meeting or in a letter which must be received by the Winding Up Board no later than the time of the meeting. An account must be provided of the objections of the creditor concerned at the meeting. Furthermore, others entitled to attend the meeting may oppose the decision of the Winding Up Board on individual claims;
 - a decision by the Winding Up Board on a claim, which is not opposed at the meeting shall be deemed to be final; and
 - if it proves impossible to conclude decisions on all claims submitted, due to the scope and number of claims, prior to the creditors' meeting, to convene a follow-up meeting, to conclude the process of deciding on recognition of claims.

Winding Up Board

Update

4. Role of the Winding Up Board (continued)

- Following the creditors' meeting held by the Winding Up Board in accordance with the above, the Winding Up Board is authorised to pay the claims recognised in part or in full. This is subject to certain conditions:
 - only recognised claims may be paid;
 - it must be ensured that the bank's assets are sufficient to pay all equally ranked creditors an equal proportion of their outstanding claims;
 - if a dispute on a claim which could be entitled to payment has not been finally resolved, assets must be set aside to enable its payment later if it is recognised; and
 - despite the above condition, individual creditors may be paid in advance if they offer to waive their claims in return for partial payment, provided that it definitely comprises a lower amount than would be disbursed to the claim at a later stage given its ranking.

Winding Up Board

Update

4. Role of the Winding Up Board (continued)

- The ranking of claims against the bank is in the main as follows:
 - assets and interests in the possession of the bank shall be delivered to a third party if the third party proves his entitlement;
 - claims on the estate resulting from a contract concluded after the entry into force of the Act or claims arising after the reference date as a result of measures approved by the Appointee;
 - claims secured by a collateral or other security interest in the bank's assets, to the extent they can be settled by means of the proceeds from sale of the relevant assets and any income derived from them;
 - priority claims, including various wage claims and claims on deposits;
 - unsecured claims, i.e. all other debts not included in the above categories; and
 - deferred claims.
- The Act's entry into force, 22 April 2009 will set a cut-off point for interest and cost on priority claims and unsecured claims. Accordingly, interest and cost on such claims accruing after the entry into force of the Act will be deferred claims.
- The appointment of a Winding Up Board will have an impact upon other committees and working parties currently within Glitnir:
 - the Netting Committee will disband and its role will be assumed by the Winding Up Board; and
 - various aspects of the role of the Settlement Committee (e.g. assessments of claims subject to set-off) will be assumed by the Winding Up Board.

Winding Up Board

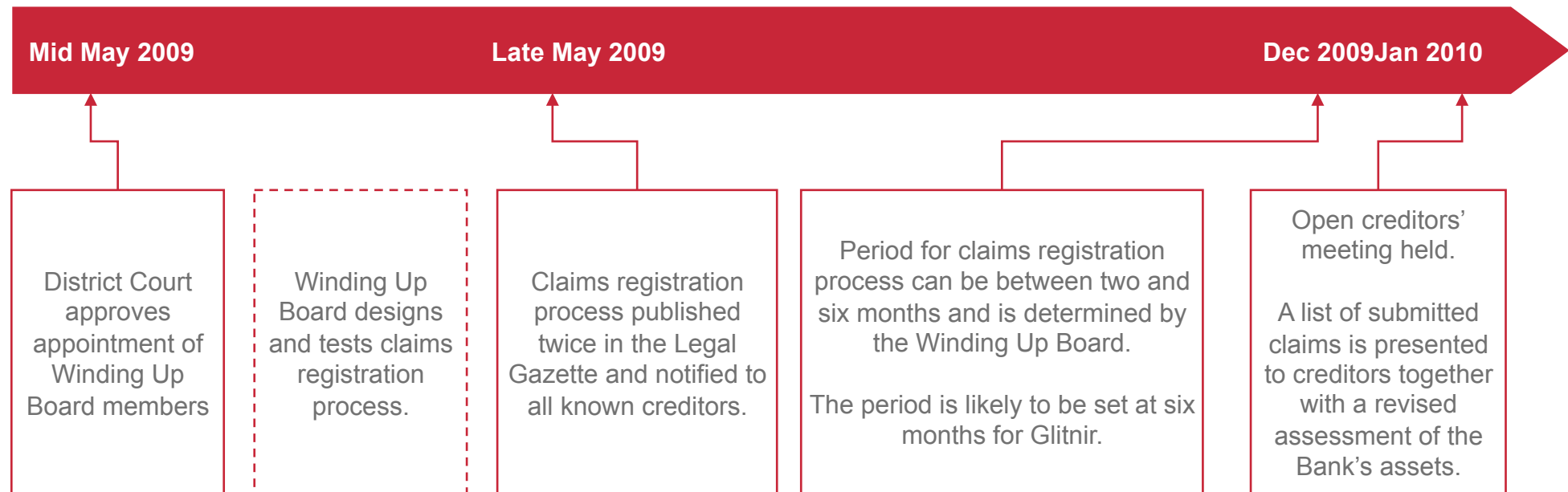
Update

5. Conclusion of winding-up proceedings

- Should the Bank's assets be insufficient to pay all claims submitted against the Bank in full, the Winding Up Board may seek a composition with creditors to conclude the winding-up proceedings. Attempts to reach composition with creditors are covered by specific rules of the Bankruptcy Act.
- If composition cannot be reached with creditors, the Bank's estate shall be subject to Bankruptcy proceedings at the request of the Winding Up Board. In this eventuality, actions taken by the Winding Up Board during the winding-up proceedings shall remain valid. Bankruptcy shall only be undertaken in the following instances:
 - the Winding Up Board deems evident that there is no basis for seeking composition at any stage of the winding-up proceedings;
 - a proposal for an arrangement with creditors has been rejected by creditors, pursuant to the rules which apply on the approval of and voting on arrangements with creditors; and
 - confirmation of an arrangement with creditors is rejected by the courts.
- The right of a creditor to demand Bankruptcy proceedings is similar to the obligation of the Winding Up Board. Certain additional conditions apply to such a demand by a creditor, all of which must be satisfied:
 - the creditor in question must hold a recognised claim against the Bank;
 - the creditor in question must demonstrate that legal conditions for composition with creditors are lacking or that such a number of creditors are opposed to such composition that there is no possibility of its approval; and
 - the creditor in question must demonstrate that he has lawful interests at stake in demanding the liquidation of the bank rather than its continuing in winding-up proceedings.

Winding Up Board

Claims registration process overview



- The exact details of the claims registration process have yet to be determined and will be the initial task of the Winding Up Board upon appointment.



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Icelandic Composition of Creditors

Overview

General provisions and characteristics of a Composition of creditors under Icelandic law

- An entity (“the debtor”) requiring a licence to seek a Composition shall have a written declaration of at least 25 per cent of the voting creditors, both by number and by amounts, that they recommend the Composition on the basis of the proposals put forward.
- A Composition agreement may provide for total relinquishment of debts, proportional relinquishment, deferred dates of payment, changes in form of payment, or all of these arrangements jointly.
- The following shall be specified in a Composition proposal:
 - to what extent the debtor offers payment of the Composition claims, and in what form;
 - the date or dates of payment;
 - whether interest, and if so, at what rate, will be paid on the Composition claims from the date a Composition agreement is concluded and to the date of payment, if deferred payment is envisaged; and
 - whether security, and if so of what kind, will be placed to secure performance of the Composition agreement.
- A Composition proposal may contain a provision to the effect that claims up to a certain amount, which in the absence of such a provision would be counted among Composition claims, will be paid in full, provided the amount in question is deemed insignificant with a view to the debtor’s financial situation. However, such a provision may only be included if all the Composition claims will be paid by the same or higher amount.

Icelandic Composition of Creditors

Overview

General provisions and characteristics of a Composition of creditors under Icelandic law (continued)

- When a license to seek Composition with creditors has been granted, the District Court judge shall appoint an agent to carry out the preparations for the Composition. The Winding Up Board of Glitnir shall perform the duties normally performed by a Composition agent.
- The Composition agent shall issue and have published two times in the Legal Gazette a notice to creditors, calling upon the debtor's creditors who consider themselves in possession of Composition claims, to declare them to the Composition agent within four weeks from when the notice is first published.
- Since Glitnir is in winding-up proceedings it is not necessary to issue this notice. If the Winding Up Board decides that voting shall take place on the proposal, it shall convene a particular meeting of the creditors for this purpose. Such a meeting shall however not be held until a creditors' meeting held to discuss the list of stated claims against the bankruptcy estate is held and completed.
- The right to vote on the debtor's Composition proposal shall be restricted to the voting creditors who have stated their claims to the Composition agent/ Winding Up Board within the period granted for this purpose.
- A Composition proposal shall be deemed approved if supported by the same proportion of votes as the proportion of composition claims to be relinquished according to the proposal, provided this reaches 60 per cent at a minimum, by number of voting creditors as well as amounts. If neither proportional nor total relinquishment is proposed, a Composition proposal shall be deemed approved if supported by 60 per cent of all voting creditors by number as well as amounts.

Icelandic Composition of Creditors

Overview

General provisions and characteristics of a Composition of creditors under Icelandic law (continued)

- Composition does not affect the following claims against a debtor:
 - i. claims originating after a court order has been issued granting a debtor license to seek Composition;
 - ii. claims for performance other than payment of money, which can be performed in substance;
 - iii. claims that would be ranked as provided for in Articles 109, 110 or 112;
 - iv. claims secured upon the debtor's assets, to the extent the value of the relevant asset covers the claim;
 - v. claims that could have been settled by set-off had the debtor been declared bankrupt; and
 - vi. any claims particularly exempted from Composition under the terms of the Composition agreement by reason of their full payment.

- If the Composition procedure has ended with an approval of the debtor's proposal, the debtor shall submit a written petition for confirmation of the Composition agreement to the district court judge within one week from when this conclusion was announced at a meeting.

Icelandic Composition of Creditors

Overview

The legal impact of a Composition agreement

- A Composition agreement shall be regarded as concluded when the debtor's petition for confirmation of the agreement has been granted by a final court resolution.
- Having entered into effect, a Composition agreement shall be binding upon the creditors and their successors and assigns as regards their composition claims. The settlement of claim in accordance with the agreement shall have the same effect as performance of the original obligation.



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Estimated timetable

Key milestones and next steps

Milestone	Estimated timing
Negotiations in relation to design of instrument	Ongoing
Updated Statement of Assets and Liabilities as at 30 June 2009 presented to the ICC	August 2009
Open creditors' meeting	Early November 2009

- Given the moving timetable in relation to the instrument from Islandsbanki above, the Resolution Committee would like to discuss the timing of the next face-to-face ICC meeting.
- Weekly conference calls will continue to be held as necessary and helpful to ICC members.



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Appendix 1 – Glossary



BCL	The Central Bank of Luxembourg
FME	The Icelandic Financial Supervisory Authority
ISK	Icelandic Krona
Islandsbanki	Islandsbanki hf., formerly New Glitnir banki hf.
Glitnir or the Bank	Glitnir banki hf.
Winding Up Board	The Winding Up Board of Glitnir banki hf.
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 required under the terms of the Moratorium on creditor proceedings granted on 24 November 2008