Glitnir hf.

Business Plan summary

23 October 2013

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1. Introduction
2. Summary business plan

Introduction and purpose

- Glitnir produces twice a year an estimate of asset realisation cash flows given its asset management objectives and strategy prevailing at the time, net of asset portfolio and operating expenses (each a "**Business Plan**")
- Each Business Plan is prepared by Glitnir with the following principal objectives in mind:
  - to provide an operational tool to assist Glitnir's management in setting appropriate asset management strategy
  - to provide internal performance monitoring benchmarks
- Periodically, Glitnir publishes a summary of its latest Business Plan on Glitnir's website
- The purpose of publishing a summary is to provide stakeholders with information regarding:
  - Glitnir's objectives and strategy for realising assets
  - the potential quantum and timing of cash flows arising from Glitnir's asset portfolio and therefore high-level estimates of the potential quantum of distributions to creditors
  - the potential impact of certain key risks to the quantum and timing of cash flows realised from Glitnir's assets
- Given the highly sensitive nature of parts of the Business Plan, the summary does not include a detailed analysis of the underlying asset classes and positions

Basis of preparation

- The Business Plan summarised in this presentation (the "**Current Business Plan**"):
  - is based on an opening position of 30 June 2013. It has been prepared on a quarterly basis from 1 July 2013 until 31 December 2019 (referred to herein as the "**Detailed Forecast Period**").
  - has been prepared by the Winding-Up Board and employees of Glitnir, with the assistance of Glitnir's advisers as appropriate
- The Current Business Plan does not include assumptions regarding:
  - the future monetisation of Glitnir's 95% share in Islandsbanki hf ("**ISB**"). There is considerable uncertainty in respect of the timing, quantum and currency of this monetisation
  - no account has been made of potential recoveries from contingent assets such as any legal proceedings resulting from the work being carried out by the Winding-Up Board and its advisers relating to Glitnir's pre-collapse operations. Estimates of these recoveries are also deemed too sensitive in nature to disclose
  - any cash recovered after the 30 June 2013 from the escrow for disputed priority (article 112) claims should those disputes be resolved in Glitnir's favour (38bn ISK cash was in escrow as at 30 June 2013)
  - interest income generated on cash balances (though see notes later on certain considerations in relation to this)
- None of the cash flow estimates within the Current Business Plan have been discounted
- All information used to prepare the Current Business Plan has been obtained from the Winding-Up Board or Glitnir's employees (including employees of Glitnir's subsidiaries) together with certain external information where relevant (e.g. market data relating to foreign exchange and interest rates)

Key overriding assumptions

- The Current Business Plan has 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 estimated cash flows attributed to each asset are dependent on the realisation strategies presently adopted for Glitnir'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. None of the cash flow estimates within the Current Business Plan have been discounted
- The Forecasts assumes that foreign exchange rates will remain at the spot rates as at 30 June 2013 published by the Central Bank of Iceland
- Interest rates during the Forecast Period are based upon the rate at the last fixing date for loan assets
- Interest cash flows in the Detailed Forecast Period are calculated based on applying the relevant interest rate for the relevant loan to the estimated recoverable value of that loan in Glitnir's 30 June 2013 statement of assets and liabilities
- All cash flows in the Detailed Forecast Period are assumed to occur at the end of the relevant quarter

Key limitations

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- The methodology used to estimate the future cash flows generated by the assets within each asset class has been based on the application of Glitnir's present asset realisation strategy. This strategy, and its application to the different asset classes or individual assets, may change
  - the ultimate task and focus of the Winding-Up Board is to maximise the value of Glitnir's assets on behalf of its creditors. As such, the Winding-Up Board 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, Glitnir's strategy, prior to being able to make distributions to unsecured creditors, has been to hold assets to maturity unless it believes an early exit can be achieved without reducing realisable value on a net present value basis
  - the asset realisation strategies taken by the Winding-up Board are likely to change over time as Glitnir 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
  - as and when a composition of Glitnir takes place, Glitnir would return to being a solvent entity under the control of a new board of directors. That board of directors might adopt different strategies to those currently in place
- The Business Plan 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
- The determination of the ownership of certain assets is not complete. Particularly, current estimates of Glitnir's collateral will be subject to subsequent legal findings including rights of set-off and other claims. If the ownership of Glitnir's collateral changes as compared to the current understanding, the estimate of future cash flows from Glitnir's assets may be materially impacted
- The Current Business Plan does not include assumptions regarding the monetisation of certain assets (including Glitnir's 95% share in ISB, contingent assets and legal cases, future recoveries from the priority claims escrow, and interest on undistributed cash balances) as previously explained on page 5

Key limitations (continued)

- 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 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
  - interest rates during the Detailed Forecast Period are based upon the rate at the last fixing date for loan assets. Most loans in the loan book attract floating interest receipts as such should the underlying interest rates move materially, so could the estimated interest income from the loan book
  - given the current economic climate, there are limited active markets for some of the financial instruments held by Glitnir. Accordingly Glitnir 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
  - 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 Forecasts were prepared using Glitnir's information, based on current available data and assumptions, which is subject to confirmation and change. Glitnir 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 Glitnir's assets may differ materially from the cash flows set forth in the Business Plan

Key notes on presentation

- Forecasting cash distributions to creditors is not within the scope of the Business Plan exercise, however to the extent cash that has been realised is not distributed to creditors and is retained within Glitnir, this will generate additional interest income over and above the amounts presented. One constraint in making any such distributions is the capital controls currently in place in Iceland which act to prevent cross-border transactions that affect the Icelandic balance of payments and add to the ISK ‘snow overhang’. Currently, due to these capital controls, cash generated from Icelandic counterparties may not be unconditionally distributed given Glitnir’s many international creditors. Therefore, for information purposes only, the cash flows and cash balance at the end of each year are presented in three categories:

    1. Domestic currency i.e. Icelandic Króna (“**ISK**”)
    2. Foreign currency (“**FX**”) received from Icelandic counterparties
    3. FX received from non-Icelandic counterparties

Business Plan

Summary outputs

ISKbn	30.06.13	H2 2013	2014	2015	2016	2017	2018	2019	Total
SA&L 30 June 2013	**919.459**								
Less cash and equivalents	(511.095)								
Less ISB	(131.320)								
Add net other cashflows[1]	(6.709)								
Total cashflow 'in-scope' of Current Business Plan	**270.335**								
Opening cash balance		**511.095**	**554.498**	**671.832**	**760.866**	**784.095**	**782.995**	**782.095**	**511.095**
Net cash flow from assets monetisation (Icelandic)		14.195	33.641	51.785	13.631	(613)	(463)	(365)	**111.812**
Net cash flow from assets monetisation (non-Icelandic)		29.208	83.693	37.250	9.598	(488)	(438)	(300)	**158.523**
Total Current Business Plan cashflows		43.403	117.334	89.034	23.229	(1.100)	(900)	(665)	**270.335**
Closing cash balance	**511.095**	**554.498**	**671.832**	**760.866**	**784.095**	**782.995**	**782.095**	**781.430**	**781.430**
Being									
ISK	*47.935*	*53.919*	*78.538*	*130.323*	*143.954*	*143.341*	*142.879*	*142.514*	*142.514*
FX from Icelandic counterparties	*17.508*	*25.719*	*34.741*	*34.741*	*34.741*	*34.741*	*34.741*	*34.741*	*34.741*
FX from foreign counterparties	*445.652*	*474.860*	*558.553*	*595.802*	*605.400*	*604.913*	*604.475*	*604.175*	*604.175*
	511.095	**554.498**	**671.832**	**760.866**	**784.095**	**782.995**	**782.095**	**781.430**	**781.430**
Illustrative interest of cash balance if cash generated domestically is retained by Glitnir									
Interest on ISK @ illustrative 3.50%		*891*	*2.318*	*3.655*	*4.800*	*5.028*	*5.009*	*4.994*	***26.695***
Interest on FX from Icelandic counterparties @ illustrative 0.75%		*81*	*227*	*261*	*261*	*261*	*261*	*261*	***1.611***
Total estimated inflow		***972***	***2.545***	***3.916***	***5.060***	***5.288***	***5.269***	***5.255***	***28.306***

Notes

1) *Includes forecast operating expenditure, and forecast interest receipts from loans and bonds*

- The tables above summarises Glitnir's forecast cash flows under the Current Business Plan, excluding certain out of scope items such as proceeds from any monetisation of the shareholding in ISB, for reasons set out earlier in this presentation
- In summary, Glitnir is forecasting that over 65% of the assets in the scope of the Business Plan have been realised by the end of June 2013, rising to approximately 71% by the end of 2013, to 86% by the end of 2014 and nearly 100% by the end of 2016