



SPARISJÓÐABANKI
ÍSLANDS HF.
ICEBANK HF.

Icebank hf.

Creditors' Meeting of Icebank
7 September 2010

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Factors which may lead to material differences include:

- (a) Resolution of issues regarding the quantum of claims;
- (b) Addition claims being made against the Bank;
- (c) The realization method(s) used over time;
- (d) The Impact of set off and netting, including in connection with derivative contracts;
- (e) Movements in currency exchange rates and interest rates;
- (f) Prevailing market conditions when assets are sold;

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The Winding-Up Board of Icebank has taken a stand to all claims lodged against the Bank. All references to these claims and the decisions of the Winding-up Board in this Presentation are subject to the formal List of Claims issued by the Winding-up Board of Icebank. Should there be any discrepancies between the List of Claims and this Presentation, the information provided for in the List of Claim shall govern

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Welcome Address and Introduction

Object of the Meeting

- The Resolution Committee, the Winding-up Board and the Moratorium Appointee of Icebank have called for this Meeting.
- The Meeting has been convened in accordance with articles 15 and 85 of the Icelandic Act on Bankruptcy, etc., No. 21/1991.
- The object of the Meeting is to detail and discuss List of Claims received and other affairs of the bank
- Documentation provided at the meeting:
 - List of Claims
 - Updated Creditors Report
 - Q&A form

Creditors' Meeting

Schedule

Schedule

1. Welcome address and key events. Chairperson and Secretary appointed.
2. List of Claims presented. The Winding-up Board presents the List of Claims. The Winding-up Board presents all objections received from creditors prior to the meeting.
3. All creditors present are offered the chance to submit objections to the decisions of the Winding-up Board. Objections are to be submitted on an objection form provided by the Winding-up Board for that purpose, along with any other documents the respective creditor wishes to submit.
4. The Resolution Committee presents key events and financial information.
5. Moratorium Appointee introduces his report regarding the Moratorium on the next steps of the bank and its restructuring options
6. All creditors present are offered the chance to submit written questions about the list of claims, financial information or other affairs of the bank.



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List of Claims / registration

List of Claims

Announcements and timeframe

- Call upon creditors to declare claims was issued and published in the Legal Gazette on 3 June.2009 (“Declaration Notice”).
- Notification was sent to all known foreign creditors.
- Time limit to register claims expired 3 November 2009.
- This Meeting is the last opportunity for creditors to file their objections in respect of the Winding-up Board’s final decision regarding individual claims.

Claim register

- The list of claims was previously introduced at creditors meetings on 27 November 2009 and 21 January 2010 and the list is now presented and updated for the 3rd time.
- It now presents the Winding-up Board’s decision in relation to all the claims registered.
- The total number of lodged claims are 246 and the total amount of lodged claims is 369.088 ISKm.
- The Winding-up Board has made its decisions on all the claims.

List of Claims / registration

List of Claims

Key information from List of Claims

- The table below stipulates under which articles of the bankruptcy code (priority ranking) the claims are filed and recognised:

Liabilities						
ISKm	Article	Declared	Partially rejected	Rejected	Withdrawn	Recognised
Third party assets	109	20.927		19.709	1.217	
Approved costs	110	182		120		63
Secured	111	225.429		206.604		18.825
Priority	112	3.013		2.734	193	85
Unsecured	113	117.373		33.319	11	83.982
Deffered	114	2.164		707	22	1.674
Total		369.088		263.193	1.443	104.629
Total without Deffered		366.924		262.486	1.421	102.955

List of Claims / registration

List of Claims

Objections

- Prior to this meeting the Winding-up board had received 55 objections against its decisions.
- Those who do not object to final decisions taken by the Winding-up Board at this stage are considered in agreement with the decisions.
- The Winding-up Board will attempt to resolve disputes and invites the parties involved to special meetings to seek to resolve the disputes.
- The Winding-up Board has already resolved some disputed claims but at least 28 claims are currently being handled in this process.
- If a dispute cannot be resolved at the special meetings they will be referred to the District Court of Reykjavík according to chapter XXIV of the Bankruptcy Act no. 21/1991.

Court Proceedings

- It is estimated that at least 20 disputed claims will be referred to the District Court. At the moment 5 disputed claims have been referred to the District Court.
- The verdict of the district court may be appealed to the Supreme Court.
- The court proceedings may take up to 24 months.
- Court resolution of a dispute comprises a final outcome on the amount of claim and its priority and will serve as the basis for the disbursement.

Relevant dates with regard to claims

- “Reference Date” 15 December 2008.
- “Cut-off point” with regard to claims 22 April 2009.

List of Claims / registration

Claims from the Central Bank

Claims from the Central Bank

- Below is shown the itemisation of the claim from the Central bank. Details are given for other creditors and stakeholders to give prospective of the size, possible impact and the complexity of the claims from the Central Bank.

Claim from the Central bank of Iceland				
ISKm				
Claim I	Nominal	Pen.int.	Total	Winding-up Board decision
Loans against securities due 22 October '08	131.237	28.981	160.219	Rejected
Overnight loan due 31 December 2008	10.556	1.956	12.512	Rejected
Securities lending due 17 October 2009	23.914	3.557	27.471	ISK 4.935 in acc. with art. 111 (Collateral)
Legal claim fee	1.003	0	1.003	ISK 0,25 in acc. with art. 111 (Collateral)
Total	166.710	34.494	201.204	ISK 4.935 (art. 111)
Claim II	Nominal	Pen.int.	Total	Winding-up Board decision
Repo loan due on 25 March 2009	13.273	617	13.890	ISK 13.890 in acc. with art. 111 (Collateral)
Other claims	16	1	17	ISK 2,5 as a general claim in acc. with art. 113
Legal claim fee	278	0	278	ISK 0,25 in acc. with art. 111 (Collateral)
Total	13.568	618	14.185	ISK 13.890 (art. 111) & ISK 2,5 (art. 113)
Claim III	Nominal	Pen.int.	Total	Winding-up Board decision
Transfer of deposits to CBI	9.537	499	10.036	Rejected
Total	189.815	35.611	225.426	ISK 18.825 (art. 111) & ISK 2,5 (art. 113)

List of Claims / registration

Claims from the Central Bank

Claim I: Total of 201.204 ISKm (no 190 on the List of Claims)

- This Claim is based on loans extended by the Central Bank of Iceland to Icebank against collateral deemed acceptable by the Central Bank, i.e. loans against securities, overnight loans against securities and securities lending facilities.
- The claim is rejected by the Winding-up Board insofar as the lending was against securities issued by the three main Icelandic commercial banks (Landsbanki Islands, Glitnir Bank and Kaupthing Bank).
- Main arguments of the Winding-up Board are the following:
 - the purpose of the lending was in fact to provide liquidity to the three main Icelandic commercial banks under exceptional market circumstances in order to maintain confidence in the country's financial system.
 - the Central Bank seems to have been aware of the critical situation of the three main Icelandic commercial banks but did not inform or warn Icebank of the inherent risk which Icebank was shouldering by providing liquidity from the Central Bank to the three main Icelandic commercial banks.
 - the lending was apparently in breach of the Act on the Central Bank of Iceland and the Central Bank's own rules and regulations.
- The above mentioned subjects were investigated by the Parliaments' Special Investigation Commission, and addressed in its report which was published 12 April 2010.

List of Claims / registration

Claims from the Central Bank

Claim I: Total of 201.204 ISKm (no 190 on the List of Claims:

- Therefore it was the decision of the Winding-up Board that:
 - The lending as far as it was against securities issued by the three main Icelandic commercial banks was a simulated contract.
 - The aforementioned contracts entered into by the Central Bank of Iceland and Icebank are void on the basis of the rules laid down in Chapter III of Act on contracts, agency and void legal instruments.
 - The contracts between the Central Bank of Iceland and Icebank are also rescinded on the grounds of the rules of rescission described in the Bankruptcy Act.
- It is the opinion of the Winding-up Board that each of the above stated arguments in the decision is, on its own merits, a sufficient argument for the Winding-up Board's decision to reject the part of the claim insofar as the lending was against securities issued by the three main Icelandic commercial banks.
- The part of the claim for securities lending facility provided against collateral in government guaranteed securities is accepted as a secured claim insofar as the respective securities will cover the relevant part of the claim. The main argument of the Winding-up Board for accepting this part of the claim is the fact that Icebank will not suffer losses because of these transactions in light of the collateral's value.
- The Central Bank of Iceland has already objected the Winding-up Board's decision with regard to claim no 190.

List of Claims / registration

Claims from the Central Bank

Claim II: Total of 14.185 ISKm (no 189 on the List of Claims)

- This Claim is comprised of three parts:
 - Loans extended by the Central Bank of Iceland to Icebank against government guaranteed securities,
 - FX SWAP agreement between the Central Bank and Icebank, which was declared as a secured claim by collateral, and
 - Custody fees.
- The decision of the Winding-up Board was the following:
 - This part of the claim, i.e. loans extended against government guaranteed securities, has been accepted by the Winding-up Board. The main argument is that Icebank will not suffer losses because of these transactions in light of the collateral's value.
 - This part of the claim, i.e. the FX SWAP claim, was rejected as a secured claim in accordance with article 111 but accepted as a general claim in accordance with article 113.
 - The claim for the unpaid custody fees was rejected.
- The Central Bank of Iceland has not objected the Winding-up Board's decision with regard to claim no 189.

List of Claims / registration

Claims from the Central Bank

Claim III: Total of 10.036 ISKm (no 191 on the List of Claims)

- This Claim is based on the Central Bank's argument that the consideration transferred from Icebank to the Central Bank of Iceland, Kaupthing bank and BYR savings bank, against transfer of deposits, in accordance with the decision of FME from 21 March 2009, and subsequent addendums, was inadequate.
- The Winding-up Board has rejected the claim since the decision of FME was fully carried out by Icebank on 27 April 2009 and the Central Bank confirmed the receipt of the consideration without any reservation.
- The Central Bank of Iceland has objected the Winding-up Board's decision with regard to claim no 191.



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Timeline

December 2009 – April 2010

- On 16.12.2009 the District Court of Reykjavík extended Icebank's Moratorium until 15.9.2010.
- On 18.12.2009 Hjördís E. Harðardóttir, Supreme Court attorney and a member of the Resolution Committee of Icebank, was appointed by the Icelandic Financial Supervisory Authority (FME) as the chairman of the Resolution Committee.
- On 21.1.2010 the Winding-up Board held a second meeting with Creditors of Icebank to discuss an updated list of claims.
- On 31.3.2010 an updated version of the Creditors Report was launched and on the same date the Resolution Committee and the Winding-up Board signed Icebank's audited balance sheet.
- In April the Resolution Committee and the Winding-up Board had series of strategy meetings where strategies were laid down for workout process.
- On 12.4.2010 the Special Investigate Commission (SIC) established by Althingi with Act no. 142/2008 delivered its report on events leading to, and the causes of, the downfall of the Icelandic banks in October 2008.
 - The Resolution Committee and the Winding-up Board have thoroughly gone through the report in terms of SIC findings in relation to Icebank and have decided to assign PWC to investigate if there are grounds for liability cases.

May – September 2010

- On 7.05.2010 Deloitte delivered a report, requested by the Resolution Committee, on Internal procedures.
 - There were no major findings or recommendations made by Deloitte on Icebank's internal procedures.
 - All internal rules and regulations have been updated.
- On 30.05.2010 all service agreements with the Savings Banks were terminated.
- In June 2010 it was examined whether all of the operations should be outsourced to a third party. The conclusion was that it is not feasible for the time being.
- On 18.07.2010 the Winding-up board assigned Price Waterhouse Coopers to conduct a forensic investigation.
- On 07.09.2010, Creditors meeting held.
- On 15.9.2010 the moratorium period for Icebank expires and the Winding-up Board of Icebank will apply for an extension until 24.3.2011, when the maximum moratorium period for the Bank ends.
- Next creditors information meeting is scheduled for March 2011.

For further information's please visit our updated Creditors' Report on our website www.icebank.is



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Statement of Assets and Liabilities as of 30.6.2010

Assets				
ISKm	30.6.2010	Set-off	30.6.2010	31.3.2010
Cash and cash equivalents	19.368		19.368	15.807
Loans to credit institutions	29.495	-28.608	887	1.031
Loans and advances	18.708		18.708	22.357
Old bank securities	25.435	-25.435	0	0
Securities	25.351	-21.755	3.595	4.101
Other assets	547		547	524
Assets totals	118.903	-75.798	43.105	43.820

Liabilities				
ISKm	Claim registration	22.4.2009	Set-off	22.4.2009
Central bank	225.426	196.560	-47.190	149.370
Loans from credit institutions	49.568	28.527	-27.165	1.362
Deposits	6.596	388		388
Borrowings	82.563	82.614	-1.443	81.171
Subordinated loans	1.658	1.605		1.605
Other debt	3.277	206		206
				0
Liabilities total	369.088	309.900	-75.798	234.102

- Total assets after set-off decrease by ISK 0,7bn.
- Foreign assets have decreased in ISK value by approximately ISK 1 bn due to strengthening of the ISK.
- Sale and maturity of assets have increased liquid cash and respectively decreased value in loan portfolio and securities.
- Liabilities as at 22.04 2009 are used in the bank's audited financial statements at 31.12 2009 and reviewed financial statements at 30.06 2010.

Financial information

Cash and cash balances

Cash and cash balances ISKm	30.6.2010			31.3.2010		
	ISK	FX	Total	ISK	FX	Total
Central bank	5.980	2.198	8.178	5.864	1.920	7.785
International credit institutions	279	10.911	11.190	44	7.979	8.022
Total	6.259	13.109	19.368	5.908	9.899	15.807

- Cash is approx. 45% of the Bank's net assets after set-off.
- Currency breakdown of Cash and cash balances is: ISK 32%, EUR 30%, USD 23% and other 15%.
- ISK has strengthened against EUR in Q2 by 8,9%, resulting in approx ISK 0,6bn decrease in foreign exchange cash.
- Liquidity can be broken down to deposits in Iceland, dominantly with the Central bank of Iceland and deposits with foreign credit institutions with Moody's Aa3 rating or higher.

Financial information

Loans to credit institutions

Loans to credit institutions		30.6.2010	31.3.2010
ISKm	Orig. Currency		
Frozen assets	EUR	1.443	1.634
Domestic credit institutions	ISK	1.293	1.314
International credit institutions	USD	461	584
Icelandic banks in Moratorium	ISK	26.298	26.298
		29.495	29.830
Set-off		-28.608	-28.799
	Total	887	1.031

- Frozen assets are Nostro accounts and securities payments seized by foreign credit institutions. There is a legal uncertainty on the entitlement of the foreign credit institution to net those assets against Icebank's liabilities. Icebank has been evaluating whether to initiate legal actions against those credit institutions or whether these amounts will be withheld when Icebank distributes funds to its creditors.
- Domestic credit institutions are mainly claims on Icelandic savings banks.
- Changes in International credit institutions are due to increased provisions.
- Based on an interpretation of the potential rights of Icebank and its counterparties, Icebank has declared netting against Glitnir, Kaupthing and Landsbanki. Netting of asset with liabilities with BYR is also included.

Financial information

Loans and advances

Loans and advances ISKm	30.6.2010			31.3.2010		
	Origin of risk			Origin of risk		
	Domestic	International	Total	Domestic	International	Total
Recorded balance sheet amount	22.436	18.507	40.943	27.201	23.401	50.602
Impairment	-13.166	-9.070	-22.235	-16.937	-11.308	-28.245
	9.270	9.437	18.708	10.264	12.093	22.357
Performing	4.850	7.185	12.034	5.061	9.350	14.411
Restructuring	4.280	1.550	5.829	4.979	1.901	6.880
Liquidation	141	703	844	224	842	1.066
	9.270	9.437	18.708	10.264	12.093	22.357

Movements 31.03.2010-30.06.2010

ISKm	
Change in valuation	-363
Repayments	-2.199
Moved to Securities	-621
FX movements	-466
	-3.649

- Provisions changes between quarters are marginal.
- Impairments on the loan portfolio are approximately 54%
- 64% of the loan portfolio after impairment is performing
- Movements during the period from 31.03.2010 to 30.06.2010 are mainly due to payments of loans (ISK 2,2bn), and movement to Securities (ISK 0,6bn).

Financial information

Loans and advances

FX breakdown							
ISKm	30.6.2010			31.3.2010			Total
	Domestic	Intern.	Total	Domestic	Intern.	Total	
EUR	1.179	3.527	4.706	1.327	4.531	5.858	
GBP	91	3.857	3.949	48	4.520	4.568	
ISK	3.298	131	3.429	3.698	134	3.832	
USD	321	1.482	1.803	447	2.212	2.659	
CHF	2.293	23	2.316	2.563	24	2.587	
JPY	2.039	33	2.072	2.132	31	2.163	
Other	48	385	433	49	641	690	
	9.270	9.437	18.708	10.264	12.093	22.357	

- 82% of the loan portfolio is in foreign currency.
- Approximately ISK 6bn of loans to domestic parties are in foreign currency.
- 16 June 2010 the Supreme Court of Iceland deemed certain loan contracts in foreign currencies illegal. 23 July 2010, the District Court of Reykjavik made a ruling on how to re-calculate agreements deemed illegal. The Resolution Committee believes the issue is moving in the right direction, but the matter has been appealed to the Supreme Court and a ruling is expected in late September.
- The Resolution Committee estimated the effects on Icebank's assets will be in the range of ISK150m to ISK1bn.

Financial information

Loans and advances

Sector ISKm	30.6.2010		31.3.2010	
	Total value	Carrying value	Total value	Carrying value
International LBO	3.683	3.149	5.808	4.754
Other international	8.760	4.652	9.471	5.015
Domestic other	11.021	3.817	15.365	4.548
International real estate	4.686	1.636	6.654	2.323
Domestic fisheries	2.628	1.939	2.801	2.098
Domestic real estate dev.	6.540	1.589	6.756	1.636
Domestic collat. by real estate	2.140	1.849	2.166	1.902
Individuals	107	77	110	81
LBO - Frozen by Landsbanki Íslands	1.378	0	1.471	0
	40.943	18.708	50.602	22.357

- **International LBO:** In all cases Icebank is holding a minority stake. Icebank has assigned external advisors to manage this portfolio.
- **Other international:** Majority of them have gone through restructuring and are currently being monitored by external advisors.
- **Domestic other:** Mostly Icelandic LBO's. Given the economical changes in Iceland and the poor operational performance as well as underlying collateral this portfolio is not performing as expected.
- **International real estate:** The poor level of collateral is leading to the poor performance of this portfolio. In majority of cases Icebank is holding the mezzanine part of the funding.
- **Domestic fisheries:** Good level of underlying collateral and performance reflects a good recovery rate of this portfolio.
- **Domestic real estate development:** Given the current economical environment in Iceland number of these projects have been postponed, and are currently being restructured.
- **Domestic collateralised by real estate:** The underlying assets, location and vacancy rate are reflecting the recovery rate for this portfolio.
- **Individuals:** This is a very small portfolio as this type of funding was not core operation for Icebank.
- **LBO – Frozen by Landsbanki Íslands:** Claim towards Old Landsbanki has been lodged for these loans and the recovery is likely to be decided by courts.

Financial information

Securities

Securities		
ISKm	30.6.2010	31.3.2010
Type of security		
Icelandic sovereign	21.874	20.786
Corporate bonds	1.221	1.128
International bonds	223	1.321
Equities	2.033	1.576
	25.351	24.811
Unpledged	3.595	4.101

- Icelandic sovereign are pledged to the Central Bank of Iceland. Increase is due to higher market value.
- Change in international bonds is due to maturity of assets in Q2.
- Equities are both listed and un-listed.
- Change in Equities is mainly due to Loans and advances converted to equity.

Financial information

Liabilities - Comparison of the claim registry and the book value of liabilities

Liabilities ISKm	Claim registration	Estimated liabilities 22.4.2009
Central bank	225.426	196.560
Loans from credit institutions	49.568	28.527
Deposits	6.596	388
Borrowings	82.563	82.614
Subordinated loans	1.658	1.605
Other debt	3.277	206
Liabilities	369.088	309.900
Set-off		-75.798
Liabilities total	369.088	234.102

- The source of liabilities is the accounting records of the Bank adjusted to reflect changes made during the claim registration process. Liabilities are eliminated from the accounting records if no claim is received for the relevant liability.
- Set-off of Book value of liabilities is estimated to be ISK 75,8bn.
- There is a material difference in the claim received from the CBI and Icebank's computation of the liability due to penalty interest calculations after 22.4. 2009.
- Penalty interests calculated on the claim from the CBI for the period 22.4.2009 to 30.06.2010 amount to approx. ISK 42.3bn.
- The Central Bank did not claim any penalty interest after 03.11.2009. The Bank is calculating penalty interest for the whole period since there is an legal uncertainty concerning the penalty interest.

Financial analysis

Projected cash flow 2010 - 2012

Projected cash flow ISKm	Carrying value	2010			2011	2012	Later
		Q3	Q4	Total			
Individuals	77	1	3	4	24	13	36
International real estate	1.636		600	600	0	350	686
International LBO	3.149	47	229	276	430	1.743	700
Other international	4.652	50	420	470	938	100	3.144
Financial Institutions	887	44	205	249	140	140	358
Equities	2.044				0	0	2.044
Sovereign bonds	119						119
Domestic real estate dev.	1.589				0		1.589
Dom. collat. by real estate	1.849	403		403	90	0	1.356
Domestic other	3.817	50	600	650	150	150	2.867
Domestic fisheries	1.939	55	60	115	185	186	1.453
International Bonds	223	10	10	20	40	40	123
Corporate Bonds	1.202				1.050	0	152
Other assets	547						547
	23.730	660	2.127	2.787	3.047	2.722	15.174
Accumulated	19.368	20.028	22.155	22.155	25.202	27.924	43.098

- The cash flow is based on recovery of principals excluding interest payments.
- Clear indication on incoming cash for Q3 can be seen in the projected cash flow table.
- It is estimated from the projected cash flow that more than 51% of the recoverable assets will be materialised before year end 2010 and more than 64% before year end 2012.

Financial analysis

Domestic and foreign currency balance

Assets		Foreign		Foreign
ISKm	30.06 2010	currency ratio	30.03 2010	currency ratio
Cash and cash equivalents	19.368	68%	15.807	63%
Loans to credit institutions	887	52%	1.031	57%
Loans and advances	18.708	82%	22.357	86%
Securities	3.595	9%	4.138	35%
Other assets	547	0%	524	0%
Assets totals	43.105	68%	43.857	71%

Balance between domestic and foreign currency

- The Bank's strategy is to broadly match the foreign currency risk of its assets and accepted claims.
- The Central Bank of Iceland claim, which is still under dispute, would have a significant impact on the asset/claim foreign currency ratio, and therefore also on the balance between domestic and foreign currency.
- 68% of the Bank's assets (after netting and including cash) are held in non-ISK currencies as of 30.6.2010
- 97% of the current accepted claims are from non-Icelandic creditors.

Financial analysis

Operational expenses

Operational Costs ISKm	2010				Total
	H1 Budget	H1 Actual	Q3 Budget	Q4 Budget	
Staff costs	153	186	68	68	323
Resolution Committee and Winding up Board	49	69	20	23	113
External advisors	79	112	42	57	211
<i>Domestic</i>	33	52	18	29	99
<i>International</i>	38	60	24	28	112
IT Costs	67	60	22	22	104
Other Costs	61	63	16	13	93
	409	490	169	184	843

- The above table sets out the operating costs of the Bank (i.e. for the activities of both the Resolution Committee and the Winding-Up Board).
- Key trends include:
 - Staff costs increased due to statutory pay rises and settlements of terminated employee contracts. Total number of employees is 16 compared to 31 at the beginning of the year.
 - External advisors' costs increased in 2010 as a result of the high volume of work associated with the winding up proceedings of the Bank.



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Resolution Committee, Winding-up Board and Moratorium appointee

Resolution Committee

- Regarding the establishment, composition, role and function of the committee we refer to pages 4-5 in the Creditors Report
- Its main function is to protect and maximize the value of the assets of the bank

Winding-up Board

- Regarding the establishment, composition, role and function of the board we refer to pages 19- 21 in the Creditors Report
- Its main function is to handle the claims against the bank

Moratorium Appointee

- Regarding the role and function of the Moratorium Appointee we refer to pages 22-23 in the Creditors Report
- His main function is to oversee the actions of the Resolution Committee
- The Moratorium Appointee is also a member of the Winding-up Board

Legal overview

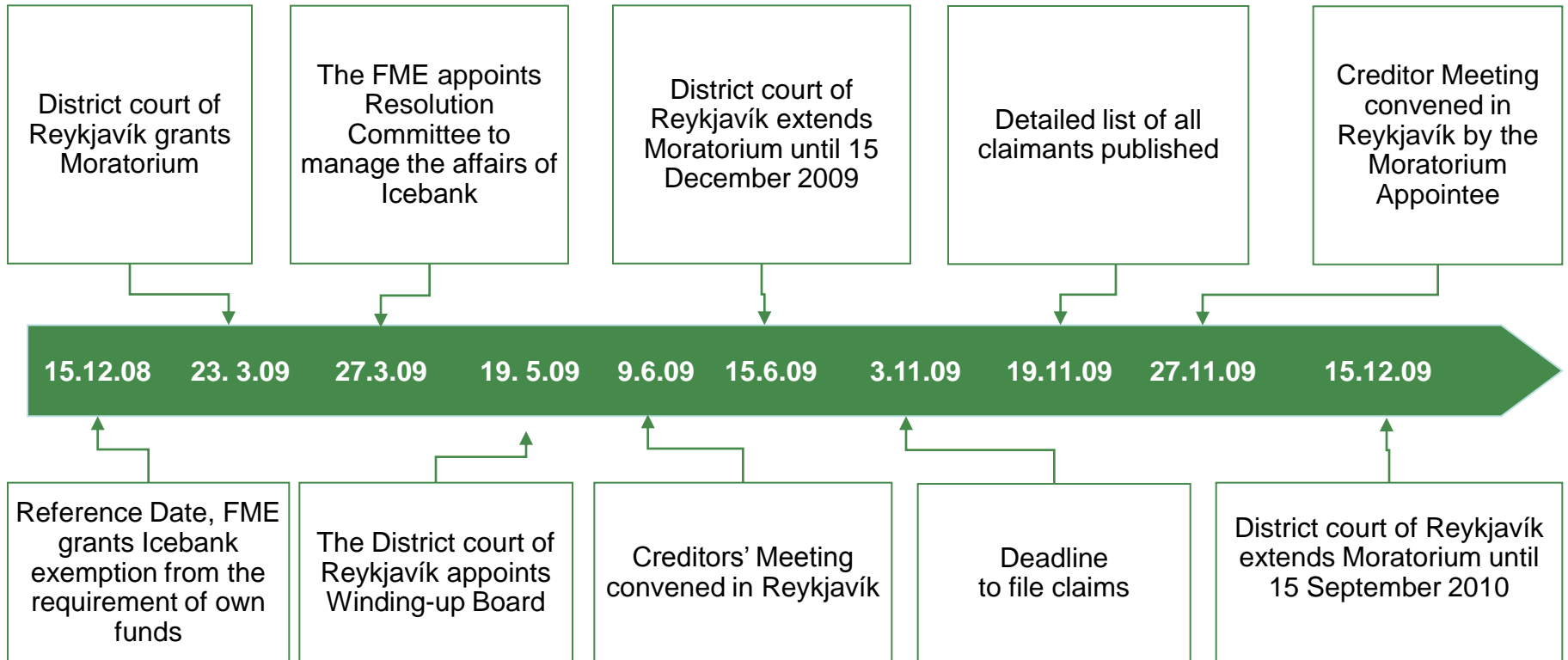
Moratorium

Moratorium

- The Moratorium was granted on 23 March 2009.
- It has been necessary to provide the bank with legal protection from litigation, collection measures, freezing of assets and other depletion of assets.
- The Bank has been able to maintain its banking license sufficient to support its assets.
- Ensure that all creditors of the Bank are treated equally.
- Extended two times, now until 15 September 2010.
- Maximum extension to 24 March 2011.

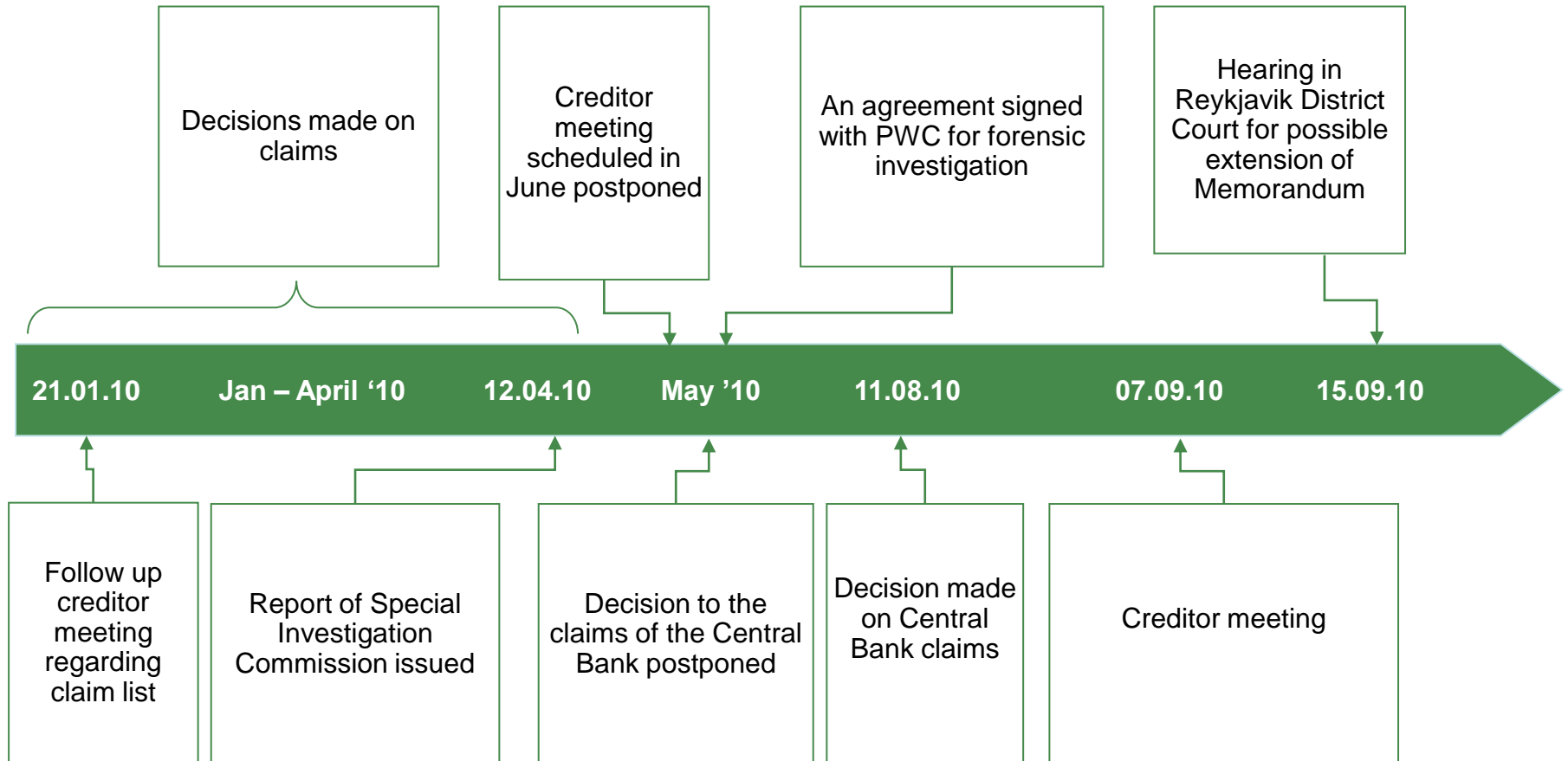
Legal overview

Timeline



Legal overview

Timeline



Legal overview

Future options

The Winding-up proceedings can conclude in different ways:

- Composition of creditors (Scheme of arrangement)
- Insolvent liquidation (Bankruptcy proceedings)

Moratorium

Process under Bankruptcy act.

- No change to current status
- Winding-up Board and Resolution Committee manage the process
- Standstill continues and assets are protected from creditors
- Recovery of assets

Composition

Process under Bankruptcy act.

- Restructured vehicle for unsecured creditors
- No time limit to maximize recovery of assets.
- Limited liability company controlled by Board of Directors.
- Full access for shareholders to information

Bankruptcy

Process under Bankruptcy act.

- Liquidator with limited knowledge of the assets portfolio.
- Immediate liquidation – distressed sale of assets
- Limited recovery possibilities for creditors.
- Limited access to information

Legal overview

Overall restructuring of Icebank

The Bank is focused on finding the best possible closure for all relevant parties within a realistic time frame and distributing the resulting value to creditors

The Bank is working towards a solution whereby the restructuring of the Bank will in the end be completed by a composition with creditors

As was discussed earlier at this meeting the claims from the largest creditor, the Central Bank, have been mostly rejected by the Winding-up Board

The Central Bank has made an objection to this decision and the Winding-up Board will make every effort to conclude the dispute

If the dispute is not settled it will be referred to the courts and the court proceedings might take up to 24 months

Due to this uncertainty regarding the validity of the claims of the Central Bank the Winding-up Board does not believe that the appropriate time to enter into composition negotiation with creditors will come until this dispute has been settled.

It is the aim of the Winding-up Board to initiate the composition process when all major disputes regarding the claims are resolved and finalize it as soon as possible given the Icelandic legal framework.


For legal overview of the composition process we refer to 24- 27 of the Creditors Report.

Legal overview

Moratorium extension

Extension of Moratorium

- Upon conclusion of the moratorium the bank will automatically enter into winding-up proceedings and its the view of the Moratorium Supervisor and the Resolution committee that the bank will enjoy the same protection in winding-up process as it does in moratorium.
- As precaution however, we think its suitable to request an extension of moratorium throughout the maximum period in order to safeguard the interests of the Bank.
- It has therefore been decided to request for a 6 months extension on the Moratorium on behalf of Icebank.
- In accordance to article 14 of the Bankruptcy Act I hereby seek your opinion regarding the proposal to apply for extension of Moratorium for Icebank for further 6 months at the hearing in the District Court on the 15 September 2010.



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- Resolve disputed claims or refer them to the district court.
 - Conclude set-off of with old-banks claims.
 - Continue to recover and retrieve assets.
 - No quick liquidation.
 - Undertake forensic examination of the bank's accounts and past actions.
 - Preserve the bank's funds.
 - It is not known when part-payments could possibly be made to creditors or an attempt made to reach composition with the creditors of Icebank.
 - A precondition for part-payments or composition is to reach final decisions and possible court verdicts regarding the major claims of the Central Bank.
 - The disputed claims of the Central Bank will likely be referred to the courts by but it is difficult to predict when the result will be available since the workload of the courts has and will increase enormously due to the fallen banks.
-
- **The next creditors meeting will be convened in March 2011**



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Q&A

- Creditors now have the opportunity to ask the Winding-up Board, the Resolution Committee and the Moratorium Appointee questions.
- During the break that follows, creditors wishing to ask questions should complete the Q&A form and present this as directed.
- Please submit a separate question form for each question.
- Given time available, creditors are requested to keep their questions relatively concise.



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Disclaimer

General disclaimer

- No representation or warranty, express or implied, is or will be made by Icebank, its employees or any other persons to the accuracy, completeness or fairness of the information or opinions contained in this Presentation. Any reliance a creditor places on them will be at its own sole risk.
- The actual realisable value of Icebank's assets and the amount of its liabilities may differ materially from the estimated value of assets and computation of liabilities set forth in the Statement of Assets and Liabilities. Without prejudice to the foregoing, neither Icebank nor its employees accept any liability whatsoever for any loss howsoever arising, directly or indirectly, from use of this Presentation or its contents or otherwise arising in connection therewith.
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Financial information

Disclaimer

Basis of preparation

- The computation of liabilities as of 22.4.2009 may not be complete or accurate as a number of the existing and potential liabilities are subject to legal uncertainty. As a result, the computation of liabilities included in the Statement of Assets and Liabilities has been estimated and will be subject to change and clarification over time. As a result, the computation of liabilities included in the Statement of Assets and Liabilities has been estimated and will be subject to change and clarification when the claims registration process is complete.
- The Act No. 125 / 2008 (the “Act”) provides for claims for ‘deposits’ to have priority when distributing the assets of a bankrupt financial undertaking. It remains to be resolved which liabilities or deposits of Icebank this provision applies to, and how this Act should be implemented. It is possible that certain deposit creditors of Icebank will have an entitlement to be paid out in full, and that there will be a corresponding decrease in the assets available to make distributions to other unsecured creditors. No consideration of this has been included in the Statement of Assets and Liabilities.
- In accordance with Act No. 44/2009 interest accruing on liabilities to 22.4.2009 has been included in the relevant liability categories. Interest accruing after this date remains as liability of Icebank but it is subordinated to other liabilities and as such has not been reported.

Financial information

Disclaimer

Basis of preparation

- The Statement of Assets and Liabilities has been prepared on the basis that Icebank 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 estimate of value attributed to each asset is dependent on the realisation strategy presently adopted for assets, which varies between available for sale, manage to sale, or hold to maturity. As such, the estimated values for certain asset classes represented in the Statement of Assets and Liabilities are not necessarily intended to represent prices at which an orderly transaction could take place between market participants as at 30.6.2010. Rather, such values are intended to represent the value of assets based on a longer term estimate of recoverable values.

Estimated value

- The methodology used to estimate the values of assets within each asset class has been based on the application of Icebank's present asset realisation strategy. The methodology does not represent an exhaustive attempt to take into account all factors that Icebank or other market participants would consider when performing an in-depth valuation exercise.
- The asset realisation strategy and valuation methodology are likely to change over time as Icebank 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 value of assets are sensitive to changes in market conditions (including interest rates, currency rates, equity prices, market indices and counterparty credit worthiness) and, as such, the values presented are preliminary estimates based on the application of a high-level asset realisation strategy at a point in time.

Financial information

Disclaimer

Estimated value

- The Statement of Assets and Liabilities is presented in ISK throughout, with asset values translated at the mid rates published by the Icelandic Central Bank for 30.6.2010. Foreign currency liabilities of Icebank are to be translated into ISK as at 22.4.2009.
- A significant proportion of the assets and liabilities of Icebank are denominated in foreign currencies. As a result, the estimated asset values and the computation of liabilities presented here in ISK may be materially impacted by future movements in foreign exchange rates.
- Comparative balances as at 31.3.2010 have not been retranslated from the foreign exchange rates used as at that date.
- Given the current economic climate, particularly the financial and liquidity crisis, there are no active markets for many of the financial instruments held by Icebank. To the extent that the estimated asset values and computation of liabilities are based on inputs that are less observable or unobservable in the market, the estimation of value requires more judgment. Accordingly, Icebank has applied considerable judgement in determining the estimate of values for certain assets and liabilities, notably those relating to loans to customers, unlisted equity instruments.

Financial information

Disclaimer

Information included in the Statement of Assets and Liabilities

- The determination of the ownership of certain assets is not complete and in particular current estimates of Icebank's collateral will be subject to subsequent legal findings including rights of set-off and other claims. If the ownership of Icebank's collateral changes, the estimate of value of Icebank's assets and the computation of its liabilities may be materially impacted.
- This Statement of Assets and Liabilities was prepared using Icebank's information, based on current data and assumptions, which are subject to confirmation and change. Icebank may amend, supplement or otherwise change the information it provided for the preparation of this Statement of Assets and Liabilities. Due to the related uncertainties, the actual realisable value of Icebank's assets and the amount of its liabilities may differ materially from the values set forth in this Statement of Assets and Liabilities.

Balances subject to set-off

- Balances subject to set-off included in the Statement of Assets and Liabilities represent an estimate of the effect of both legal netting and creditor set-off based on an interpretation of the potential rights of Icebank and its counterparties. If the rights of Icebank and the counterparties were ultimately to prove different to that assumed, the estimated value of Icebank's assets and the computation of its liabilities may be materially impacted.
- As part of the development of the realisation strategy, Icebank is undertaking a review of all default and close-out notices received on a counterparty-by-counterparty basis across all relevant financial instruments.

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Balances subject to set-off

- For assets and liabilities held with the same counterparty Icebank has applied the following netting assumptions to the Statement of Assets and Liabilities, based on Icebank's present legal interpretation:
 - known counterparties have had their liability positions netted against corresponding identifiable asset positions with the same counterparty; and
 - for the remaining liability positions where the identity of the ultimate beneficial owner is not known, an estimate of the impact of netting against assets on the balance sheet has been presented based on an extrapolation of known netting positions.
- Concerning netting during a Moratorium, the basic condition applies that a counterclaim by a customer against Icebank must have been created at least three months prior to the reference date, i.e. before 15.9.2008.
- Special emphasis has been placed on gathering the data and information required to evaluate netting against banks, other financial enterprises and major customers.
- The Resolution Committee and the Appointee have not authorised netting unless all condition are definitely satisfied. Final decisions on netting are taken by the Set-off and Netting Committee.

Likely outcome

- The methodology used by Icebank to prepare the likely outcome for asset realisation of total assets shown in the Statement of Assets and Liabilities has been derived solely by adjusting credit risk assumptions on assets. It specifically does not stress the base case for foreign exchange and interest rate movements, changes to bond and equity prices or changes to the status of legal netting. The actual outcome may fall materially outside the likely outcome.

Financial information

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Statement of Assets and Liabilities

- Presented here is the Resolution Committee's report in accordance with Paragraph 5 of article 102, cf. Interim Provision VI, of the Act on Financial Undertakings. We note that the estimated value of assets is, *inter alia*, subject to considerable uncertainty due to the developing economic environment in Iceland and abroad which will likely influence the future value of the underlying assets.
- In accordance with the above referenced paragraph of the Act of Financial Undertakings, as amended by Act no. 44/2009 the computation of liabilities is calculated by using the Central Bank of Iceland mid rate as of 22.4.2009. The book value of assets as of 30.6.2010 and liabilities as of 22.4.2009 is presented in Icelandic Krona and calculated by using FX rates as of the same date. The claim amounts published are also subject to considerable uncertainty and could be subject to changes since the Winding-up Board of Icebank is in the initial stages of its claim review and determination as of the date of this report, due to the volume of claims filed.