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**UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK**

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In re:	:
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GLITNIR HF.,	: Chapter 15
	:
Debtor in a Foreign Proceeding.	: Case No. 08-14757 (SMB)
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**TWELFTH STATUS REPORT OF FOREIGN REPRESENTATIVE  
REGARDING FOREIGN MAIN PROCEEDING**

The Winding-up Board (the "Winding-Up Board") of Glitnir hf. ("Glitnir"), in its capacity as the duly appointed foreign representative (the "Foreign Representative") of Glitnir, which is the subject of a court-supervised winding-up proceeding in Iceland (the "Winding-Up Proceeding"), by and through its counsel, Paul, Weiss, Rifkind, Wharton & Garrison, LLP, respectfully submits this Twelfth Status Report of Foreign Representative Regarding Foreign Main Proceeding (the "Report"), and represents as follows:

1. This Report is submitted to provide the Court and parties in interest with an update regarding the Winding-Up Proceeding<sup>1</sup> for purposes of the status conference scheduled for July 14, 2015 at 10:00 am (prevailing Eastern Time).

### CLAIMS RESOLUTION

2. Since the prior status report filed with this Court (the “Eleventh Status Report”)<sup>2</sup>, there has been no change in the number of registered claims against Glitnir. Specifically, as of the date of this Report, there continue to be 8,708 registered claims against Glitnir. The total amount of timely lodged claims in the Winding-Up Proceeding is ISK 3.239 trillion (approximately USD 23.6 billion<sup>3</sup>). As a result of the resolution of claims objections, rejections of disputed amounts and settlements to date, and payments held in escrow, the Winding-Up Board currently expects that the total value of outstanding unpaid claims against Glitnir is approximately ISK 2.237 trillion (approximately USD 16.3 billion).

3. As previously disclosed, the claims resolution process has been lengthier than originally estimated. Since the filing of the Eleventh Status Report, with respect to the disputed claims referred to the District Court in Reykjavík (the “District Court”), an additional 8 cases have been resolved. As a result, only 10 cases involving 17 underlying claims remain unresolved before the District Court. As noted in prior reports, the majority of the unresolved cases relate to domestic Icelandic claims, as most of the international claims have been settled.

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<sup>1</sup> On January 7, 2009, this Court entered an *Order Recognizing Foreign Main Proceeding Of Glitnir Banki Hf., and Granting Permanent Injunction* [Docket No. 20], as amended on March 18, 2011 [Docket No. 74] (the “Recognition Order”).

<sup>2</sup> *Eleventh Status Report of Foreign Representative Regarding Foreign Main Proceeding*, dated March 4, 2015 [Docket No. 138].

**PROGRESS TOWARDS EXIT FROM THE WINDING-UP PROCEEDING**

4. As disclosed in prior status reports,<sup>4</sup> Glitnir requires approval of the Central Bank to move forward with its composition plan, which has not yet been obtained, despite the Winding-Up Board's best efforts, because of Icelandic political and regulatory hurdles that have prevented distributions to creditors domiciled outside of Iceland under a composition, absent an exemption from capital controls.

5. Since the last status hearing before this Court on March 10, 2015, there has been significant progress in resolving the political and regulatory hurdles to resolution of the Winding-Up Proceeding. On June 8, 2015, the Iceland Ministry of Finance and Economic Affairs (the "IMoF") announced the introduction in the Icelandic Parliament of a bill, which later came into force on July 3, 2015 as the "Act on Stability Tax", that imposes a one-time levy of 39% on Glitnir and other financial institutions subject to winding-up proceedings (the "Stability Tax"). Following payment of the Stability Tax and fulfillment of other specified conditions, an exemption from the capital controls will be granted.<sup>5</sup>

6. Significantly, Glitnir will not constitute a taxable entity for purposes of the Stability Tax if it concludes the Winding-Up Proceeding with an

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<sup>3</sup> All USD amounts set forth herein are calculated in accordance with the Central Bank of Iceland's (the "Central Bank") mid-rate as of March 31, 2015, being ISK 137.21 to USD 1.

<sup>4</sup> *Seventh Status Report of Foreign Representative Regarding Foreign Main Proceeding*, dated June 11, 2013 [Docket No. 123]; *Eighth Status Report of Foreign Representative Regarding Foreign Main Proceeding*, dated September 6, 2013 [Docket No. 126]; *Ninth Status Report of Foreign Representative Regarding Foreign Main Proceeding*, dated February 28, 2014 [Docket No. 129]; *Tenth Status Report of Foreign Representative Regarding Foreign Main Proceeding*, dated September 4, 2014 [Docket No. 133]; and *Eleventh Status Report of Foreign Representative Regarding Foreign Main Proceeding*, dated March 4, 2015 [Docket No. 138].

<sup>5</sup> See Press release issued by the IMoF, June 8, 2015 (available at <http://www.ministryoffinance.is/news/nr/19598> and press release issued by the IMoF, July 3, 2015 available at <http://www.ministryoffinance.is/news/nr/19712>). (Copies of the IMoF's June 8, 2015 and July 3, 2015 press releases are attached hereto as **Exhibit A** and **Exhibit B**, respectively).

approved composition agreement by December 31, 2015. To satisfy this condition, Glitnir will need to obtain an exemption from the capital controls which, in turn, will require it to present the Central Bank with a proposal which meets the criteria recommended by the Iceland Task Force on the Liberalization of Capital Controls (the “Task Force”)<sup>6</sup> for addressing the balance-of-payments implications of domestic assets held in the various estates, including Glitnir (the “Framework”).

7. Throughout April and May 2015, the Task Force held a series of meetings with certain of Glitnir’s creditors (the “Glitnir Claimants”) to discuss how to liberalize the capital controls and remove the obstacles for proposing and implementing a distribution scheme to Glitnir’s stakeholders (including creditors located in the United States, the “U.S. Creditors”).

8. As a result of such meetings, the Glitnir Claimants made a proposal to the IMoF, the main terms of which were set out in an announcement by the IMoF made on June 8, 2015 (the “Proposal”).<sup>7</sup> The Task Force has confirmed that the Proposal is consistent with the Framework and has recommended that the Central Bank grant the necessary exemption from the capital controls to enable Glitnir to proceed with a composition on the basis of the Proposal.

9. Glitnir is in the process of finalizing its submission to the Central Bank requesting an exemption from the capital controls based on the Proposal (the “Exemption Request”), and intends to submit the Exemption Request as soon as possible.

10. In view of the size, political significance and unprecedented nature of Glitnir’s insolvency (and the Proposal), the process between the submission of

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<sup>6</sup> The Task Force was established by the IMoF and the Central Bank in 2014.

<sup>7</sup> See Exhibit A, IMoF's June 8, 2015 press release.

the Exemption Request until the Central Bank's grant of such request is unclear. The Central Bank, however, generally requires a minimum of eight weeks to process such a request.

**PROCEDURE AND PRINCIPAL STEPS TO COMPOSITION**

11. Assuming that the Central Bank grants the Exemption Request, Glitnir envisages that the procedure from now to conclusion of a composition (if approved by Glitnir's creditors and confirmed by the District Court) would involve the following principal steps:

- (a) the Central Bank responds to Glitnir's Exemption Request;
- (b) the Exemption Request is granted;
- (c) the composition proposal documents are published and the composition meeting is convened;
- (d) creditors vote to approve payment of a stability contribution<sup>8</sup> to the Central Bank and related matters;
- (e) creditors vote to approve the composition;
- (f) confirmation hearing before the District Court;
- (g) the composition becomes finally binding either (i) 7 days after the District Court confirms the composition, unless the decision is appealed to the Supreme Court of Iceland ("Supreme Court") ; or (ii) on the date of the Supreme Court decision (if the District Court decision is appealed and subsequently confirmed by the Supreme Court);
- (h) payment of the stability contribution by Glitnir to the Central Bank;
- (i) recognition of the composition in the U.S. by this Court in the pending chapter 15 case, and in other relevant jurisdictions, is sought; and
- (j) composition distribution to creditors, after which the Winding-Up Proceeding is concluded.

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<sup>8</sup> See Exhibit A, IMoF's June 8, 2015 press release.

12. At this stage it is not possible to put a precise timeframe on when these steps will occur as the process is dependent on a number of factors, including but not limited to, the response of the Central Bank to the Exemption Request, as well as engagement with, and the actions of, a number of other parties, including but not limited to, Iceland's Financial Supervisory Authority (the FME), the District Court and Íslandsbanki hf.

13. Further, there is no guarantee that the necessary exemptions will be granted or that the Icelandic government and other agencies will take the necessary action to enable Glitnir to proceed with a composition on the basis of the Proposal or otherwise.

14. The Winding-Up Board considers the results achieved to date to be significant steps towards the goal of distributing recoveries to Glitnir's creditors. The Winding-Up Board believes that it remains in all parties' interests to continue their dialogue and to work together, so as to achieve as soon as possible a consensual resolution to the Winding-Up Proceeding by way of a composition to be approved and concluded by December 31, 2015. Accordingly, Glitnir intends to launch a composition as soon as reasonably practicable.

15. It is worth reminding all parties in interest that, in discharging their duties, the members of the Winding-Up Board are under a legal duty to act in the interests of creditors as a whole and to treat creditors equally.

#### **COMMUNICATIONS WITH CREDITORS**

16. Glitnir continues to maintain regular contact with its creditors. Glitnir also continues to keep its U.S. Creditors informed (where appropriate) of developments via its website.

17. In addition, as has long been the case, Glitnir's international counsel continues to be in regular contact with counsel for a group of the largest U.S. Creditors to address their questions, discuss strategic matters, and provide status updates regarding the Winding-Up Proceeding.

**CONTINUED NEED FOR THIS CHAPTER 15 CASE**

18. The Winding-Up Board requires the continued assistance of this Court to afford Glitnir's substantial U.S. assets the protection of the automatic stay imposed under the Court's Recognition Order pending completion and approval of Glitnir's contemplated composition plan. Further, the Winding-Up Board will require this Court's assistance in seeking recognition or enforcement of the planned composition. As of March 31, 2015, Glitnir's reported assets total approximately ISK 978.7 billion (approximately USD 7.1 billion), representing a slight increase from total assets reported in the Eleventh Status Report as a result of principal appreciation and interest, net of FX movements. The Winding-Up-Board considers approximately ISK 152.6 billion (USD 1.1 billion) of such assets to be located in the United States, including: (i) ISK 151.6 billion (USD 1.1 billion) in U.S. Treasury securities (the "U.S. Treasury Securities");<sup>9</sup> and (ii) ISK 2 billion (USD 15 million) in loans to U.S.-based borrowers (the "Loans"). As of March 31, 2015, there remained 1 (one) U.S. borrower with outstanding Loans. As the Loans mature and are repaid, the Winding-Up Board invests the proceeds of such Loans primarily in U.S. Treasury Securities.

19. As noted in paragraph 18, as of March 31, 2015, Glitnir's assets included more than ISK 151 billion (USD 1.1 billion) of U.S. Treasury Securities

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<sup>9</sup> The amount of U.S. Treasury Securities fluctuates as tranches mature and proceeds are reinvested in other U.S. Treasury Securities.

managed by various custodians. All such U.S. Treasury Securities ultimately are held in book-entry form in an account with the Depository Trust Company or with another Fedwire participant<sup>10</sup> (that maintains a participant's securities account<sup>11</sup> with a Federal Reserve Bank) in the United States.

20. The Foreign Representative will continue to provide the Court with updates regarding the status of Glitnir's Foreign Main Proceeding.

Dated: New York, New York  
July 10, 2015

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<sup>10</sup> As defined in § 357.2 of the Regulations Governing Book-Entry Treasury Bonds, Notes and Bills held in Treasury/Reserve Automated Debt Entry System and Legacy Treasury Direct (31 CFR Part 357) ("TRADES regulations").

<sup>11</sup> As defined in § 357.2 of the TRADES regulations.



**EXHIBIT A**



## Iceland in Continuing Consultations Regarding - Capital Control Liberalization (Glitnir)

6/8/15

The Iceland Ministry of Finance today announced that it has continued its consultations with parties affected by the capital controls in Iceland about the proposals the Government is considering for the liberalization of those controls.

Members of the Iceland Task Force on the Liberalization of Capital Controls (established by the Ministry of Finance and the Central Bank of Iceland in 2014) (the “**Task Force**”) and their advisers (the “**Iceland Advisers**”) have had a series of consultations over the last two months with, among others, representatives of a small number of institutions holding significant claims on the estates of the three large Icelandic banks that failed in 2008, Kaupthing hf. (“**Kaupthing**”), Glitnir hf. (“**Glitnir**”) and LBI hf. (“**LBI**”). The Task Force reports to the Steering Committee on the Liberalization of Capital Controls (the “**Steering Committee**”), a body composed of the Iceland Minister of Finance, the Governor of the Central Bank of Iceland (the “**CBI**”) and representatives of the Prime Minister's office.

At these consultations with estate claimants, the Task Force discussed its preliminary recommendation to the Steering Committee for the manner in which the capital controls -- insofar as they affect the estates of the three large failed banks -- could be liberalized. The Task Force explained that the domestic assets of the estates (mostly denominated in Icelandic krona) posed a threat to Iceland's balance of payments and economic recovery program. The Task Force reported that it was considering recommending that all assets of the three estates could, following a composition arrangement approved by Icelandic courts, be distributed to the claimants in those proceedings following payment by each estate of a one-time Stability Tax. The preliminary recommendation of the Task Force included a list of proposed legal amendments intended to streamline and expedite the composition process for the estates. The Task Force's preliminary analysis suggested that to achieve the goal of neutralizing a threat to the balance of payments, this Stability Tax would be set at a rate of 37% of the total assets of each estate (measured as of end-June 2015), with an automatic exemption of ISK 45bn for each estate, which would bring the effective tax rate down to about 35%. The recommendation under consideration by the Task Force would also permit the estates to use part of their assets to make long term investments in Iceland. Those investments could reduce the tax base of an estate and thus lower the effective rate of the Stability Tax as it applies to an estate. Once the tax had been paid, the estate would be free to deal with and distribute its assets, and the stability tax could be paid in any currency of the estate's choosing, including ISK.

Subsequent to these meetings, the Iceland Ministry of Finance has continued to refine the draft legislation for the Stability Tax, including the rate of the tax, exemption requirements and authorized long term investments. The Ministry of Finance expects the legislation to be introduced in Parliament today.

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The Steering Committee has separately considered a framework (the “**Framework**”) developed by the Task Force for analyzing and addressing the balance of payment implications of domestic assets held in the winding-up estates.

The Task Force has also received suggestions from claimants attending these meetings for a voluntary arrangement designed to neutralize the balance of payments risks posed by the domestic assets in the estates. These proposals contemplate addressing these risks through a combination of the payment of a voluntary stability contribution, together with other measures designed to attenuate the release of krona that have been trapped behind the capital controls and augment the foreign currency reserves of the CBI.

### Glitnir

Specifically with respect to Glitnir, consultations have taken place over the last two months between (i) a group of restricted holders of Glitnir claims (the “**Glitnir Claimants**”), each of which had signed a non-disclosure/restricted trading undertaking, and their advisers (the “**Claimant Advisers**”) and (ii) certain members of the Task Force and the Iceland Advisers.

Following the most recent meeting between members of the Task Force, the Iceland Advisers, and the Claimant Advisers (held on June 2, 2015), Akin Gump LLP, on behalf of the Glitnir Claimants, submitted a proposal to the Minister of Finance (in his capacity as chairman of the Steering Committee) on June 8, 2015 (the “**Glitnir Proposal**”). The key elements of the Glitnir Proposal are as follows<sup>[1]</sup> (#\_ftn1):

- A stability contribution (the “**Stability Contribution**”) consisting of:
  - a payment of free ISK in the Glitnir estate in an amount of approximately ISK 58 billion, which amount (i) includes the ISK 37 billion excess capital dividend from Íslandsbanki (“**ISB**”) payable to the Glitnir estate (as described below); and (ii) presumes a ISK 7 billion return on domestic assets;
  - an assignment of the Glitnir estate's claims and rights against specified domestic Icelandic counterparties with a book value of approximately ISK 59 billion (the “**Assigned Rights**”);
  - the issuance and delivery of an ISK-denominated secured promissory note in the nominal amount of ISK 119 billion (the “**Contingent Secured Note**”);
  - payment of any amounts in ISK recovered by Glitnir in respect of any claims against domestic parties that would otherwise have constituted Assigned Rights but which are not capable of outright assignment (against which would be netted any ISK amounts paid by Glitnir to domestic parties in connection with claims against Glitnir), estimated at approximately ISK 14 billion; and
  - payments in ISK recovered by Glitnir in respect of disputed claims against domestic parties launched before the date of composition.
  - The Glitnir estate will hold ISK 5 billion in reserve to pay for reasonable, actual, and documented ISK expenses for 2015, 2016, and 2017, which are paid to domestic Icelandic parties (exclusive of any incentive schemes).
  - The Contingent Secured Note would have the following terms:
    - payable on the earlier of (i) the sale or monetization of all or a portion of Glitnir's 95% stake in ISB (the “**95% ISB Stake**”); and (ii) the third anniversary of the issue date;

- 5.5% interest rate;
- secured by a pledge over the EMTNs, the Treasury Notes, the New Tier 2 Subordinated Notes (all as defined below), and the 95% ISB Stake, and a coverage ratio of 115% of outstanding principal would be maintained at all times; and
- the amount payable on the Contingent Secured Note shall: (i) only be payable to the extent, and in the same proportion, as any percentage of the 95% ISB Stake that is sold to one or more domestic parties; and (ii) shall be reduced in the same proportion as any percentage of the 95% ISB Stake that is sold for FX to one or more foreign parties, such that a sale of the 95% ISB stake in full to ISB FX Purchaser(s) will result in the Contingent Secured Note not being payable
- The Glitnir estate will purchase at par, being €138 million, the Tier 2 facility (subordinated debt) provided by the Icelandic Treasury at the time of the recapitalization of Islandsbanki (the “**Treasury Notes**”), which the Glitnir estate will offer to refinance into new Tier 2 FX subordinated notes (the “**New Tier 2 Subordinated Notes**”) priced at market terms with a minimum tenor of ten (10) years.
- The Glitnir estate will use commercially reasonable efforts to (a) initiate a monetization process for the equity of ISB not later than the effective date of the composition of Glitnir; and (b) target to complete the monetization of the equity of ISB before the end of 2016 as long as a fair market, satisfactory, acceptable value can be achieved at that point in time. An internationally-recognized investment bank engaged by Glitnir and independent of the Glitnir Claimants shall conduct such monetization process. An internationally-recognized investment bank appointed by the CBI and paid by Glitnir shall give a fairness opinion on the sale price, if the sale is not an initial public offering with a subsequent listing on a regulated market. If the investment bank concludes that ISB is being sold below 90% of the investment bank's valuation, ISB will not be sold if the purchase price is below ISB book value. This shall be stipulated in the shareholder's agreement between the government and Glitnir. Any provisions in the Claimant Proposal relating to the sale or monetization process for the equity of ISB shall also apply to the sale or monetization process for the equity of GLB Holding ehf. and/or ISB Holding ehf., ISB's parents.
- The (i) Glitnir estate's existing FX deposit in Icelandic banks in the amount of ISK 37 billion; and (ii) additional realized domestic FX assets in the estimated amount of ISK 3 billion will be termed out by the issuance of bonds issued under ISB's euro medium term notes program (the “**EMTNs**”) priced at market with a minimum tenor of seven years.
- Prior to the successful composition of the Glitnir estate, subject to the approval of ISB, the FME (*Fjármálaeftirlitið*) and the CBI, ISB's total capital ratio will be reduced from its current level to 23%, by the following:
- An FX dividend (or, in the event a dividend payment is not possible, a share buyback from Glitnir at book value) that is equivalent to ISK 17 billion, of which an amount equivalent to ISK 16 billion is payable to Glitnir; which is conditional upon ISB approving the issuance, and Glitnir reinvesting its share into AT1 capital notes or Tier 2 notes on market terms with a minimum tenor of 10 years; and

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- An additional ISK 38 billion dividend (or, in the event a dividend payment is not possible, a share buyback from Glitnir at book value), of which the ISK 37 billion payable to Glitnir will form part of the Stability Contribution's ISK 58 billion free ISK payment.
- The Glitnir Claimants to support an amendment to the articles of ISB by the Glitnir estate which (i) would restricts any future disposal by any subsequent purchaser of any shares of ISB to a domestic party for a period of 5 years from the Composition Date, with a 20% release of that restriction per annum, beginning on the fifth anniversary of the Composition Date and ending on the tenth anniversary (the "**Contractual Transfer Restrictions**"), and (ii) would require a 100% vote of ISB's shareholders to amend the Contractual Transfer Restrictions.
- Upon a sale or monetization process for the 95% ISB Stake to a domestic party, the Glitnir estate would split any realized economic value of the 95% ISB Stake with the Icelandic Government through a Total Return Swap, with:
  - 33⅓% of any net sale proceeds between ISK 85 billion and ISK 119 billion paid to the Icelandic authorities;
  - 50% of any net sale proceeds between ISK 119 billion and ISK 136 billion paid to the Icelandic authorities; and
  - 75% of any net sale proceeds above ISK 136 billion paid to the Icelandic authorities,

The remainder of any proceeds would be retained by Glitnir.

- Upon a domestic sale or monetization of ISB, and to the extent the Government (through Icelandic State Financial Investments ("IFSI") or any subsequently nominated transferee) holds equity in ISB, the Government (via IFSI or any subsequently nominated transferee) will vote in favour of any required amendments to the Contractual Transfer Restrictions to facilitate such domestic sale.
- Upon a sale or monetization process for the 95% ISB Stake for FX to a foreign party if ISB's capital ratio is equal or below 23%, the Glitnir estate would split any realized economic value of the 95% ISB Stake with the Icelandic Government, as a shareholder of ISB, through a Total Return Swap in the amount that equals 60% of any net sale proceeds up to the ISK book value of the 95% ISB Stake at the date of sale, as converted at the 5 June 2015 CBI mid-exchange rate to € terms, being 148.53 ISK per €. If, at the time of such sale or monetization, the exchange rate is higher than 148.53 ISK per € (for example, 160.0 ISK per €), then the amount payable is 60% of net sale proceeds up to 1x book value as converted into € at the ISK per € exchange rate at the date of sale.

The remainder of any net sale proceeds would be retained by Glitnir.

In the event that ISB capital ratio is more than 23%, an amount equal to the excess capital shall be paid to the Government as shareholder of ISB.

- In the event of a sale or monetization process for the 95% ISB Stake for FX to a foreign party, Glitnir will offer to reinvest part of the FX proceeds from a sale or monetization of ISB into an FX long-term standby financing facility to finance the Icelandic Treasury in the amount deemed reasonably necessary to address any financial stability issues arising out of any currency hedging arrangements entered into by any buyer of ISB up to € 319

million (or the equivalent in other currencies requested by the Icelandic Treasury at the time), which offer shall remain available to the Icelandic Treasury for six (6) months after any sale or monetization of ISB for FX. Such long-term standby facility shall: (i) have a term of 7-10 years, subject to the requirements of the Icelandic Treasury; and (ii) be on market terms as to interest structure and without any prepayment costs.

- Glitnir undertakes that it will not hedge its equity in ISB post composition, directly or indirectly, and shall obtain an equivalent undertaking (as to which the CBI or its designee shall be a third party beneficiary) from any purchaser of that equity in a sale to a foreign purchaser for FX (other than purchasers in an IPO or any regulated market listing).
- The Glitnir Claimants and their affiliates will not purchase, directly or indirectly, any portion of the equity of ISB as part of this sales or monetization process unless such stake is acquired in an initial public offering or any subsequent listing on any regulated market.
- Distributions to claimants would flow freely once the Stability Contribution has been paid, the Contingent Secured Note has been issued, the related security has been posted and the Assigned Rights have been transferred.

The Task Force has confirmed that the Glitnir Proposal is consistent with the Framework endorsed by the Steering Committee and recommends that an exemption be issued to Glitnir based on the Glitnir Proposal. If granted an exemption from the capital controls by the CBI after consulting with the Minister of Finance on the basis of the Glitnir Proposal, the remaining assets of the Glitnir estate shall no longer be subject to capital controls and shall be freely available for distribution to claimants in the Gitnir estate in accordance with the procedures established by Icelandic law. The assets of the Glitnir estate shall not thereafter be subject to capital controls in Iceland and neither the Glitnir estate nor its claimants will be subject to any form of Stability Tax or similar tax or charge (other than payment of the Bank Tax for the year ended 31 December 2014).

The Task Force's consultations with parties affected by the proposed liberalization of capital controls are ongoing.

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[1] (#\_ftnref1) The Glitnir Proposal is based on the information available to the Glitnir Claimants as of 8<sup>th</sup> June 2015 and may be amended in order to neutralise the effects of any ISK outflow

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**EXHIBIT B**



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## Legislation on Stability Levy adopted unanimously

7/3/15

The Icelandic parliament *Althingi* today passed the Bill of the Minister of Finance and Economic Affairs on a stability levy, concerning which a political consensus was achieved in the Althingi. The new Act on a Stability Levy introduces a one-off levy, with the objective of creating the premises for removal of the capital controls introduced in Iceland in the wake of the financial system collapse of 2008.

The objective of the Act is to contribute to the removal of capital controls with economic stability and the interests of the general public the primary concern, by means of a levy which is intended to meet the negative impact in connection with the settlements and fulfilment of obligations by taxable entities following their winding-up proceedings. There was consensus on this matter in the Althingi and the Bill was adopted unanimously.

The newly adopted legislation will impose a levy of 39% on those financial undertakings which previously operated as commercial banks or savings banks and are currently in winding-up proceedings pursuant to the Act on Financial Undertakings or have completed them following a Ruling by a District Court that they are to be placed in liquidation. If these estates have not concluded composition agreements before the end of this year which satisfy conditions set by the authorities for stability, this tax will be levied on them.

The levy will also be assessed on undertakings which previously operated as commercial banks or savings banks and have concluded their winding-up proceedings but have not been able to fulfil their obligations due to restrictions on foreign currency transactions and cross-border capital movements. The base of the levy is the total assets of the undertakings as of 31 December 2015. From the levy as assessed specified investments by taxable entities in foreign currency may be deducted.

This will be a one-off levy assessed on 15 April 2016 and payable on four due dates spread over that year: 1 May, 1 June, 1 July and 1 August 2016.

The Bill on a Stability Levy was submitted to the Althingi on 8 June this year, following the announcement by the Prime Minister and Minister of Finance and Economic Affairs of a comprehensive action plan for removal of capital controls. This Bill was drafted in the Ministry of Finance and Economic Affairs in collaboration with the Prime Minister's Office, the Central Bank of Iceland and the Directorate of Internal Revenue.

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