

December 1st 2010

## Q3 Financial Information

# Disclaimer

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- The estimated value of assets is subjected to great uncertainty i.a. due to the development of the economic environment in Iceland and abroad which could influence the future value of the underlying assets.
- In accordance with the Legislation for Financial Institutions number 161/2002, as amended by the Legislation number 44/2009 from April 22<sup>nd</sup> 2009, the later amendment defines a reference date for interest and cost. According to this, interest and cost from claims that fall due after April 22<sup>nd</sup> will be secondary claims. Claims in foreign currency should be converted to ISK in the Registry of claims based on the published selling rate from the Central Bank of Iceland on April 22<sup>nd</sup>.
- The numbers for liabilities shown as of 22<sup>nd</sup> of April 2009 are not acquired from the WuB Register of claims.

## Disclaimer cont.

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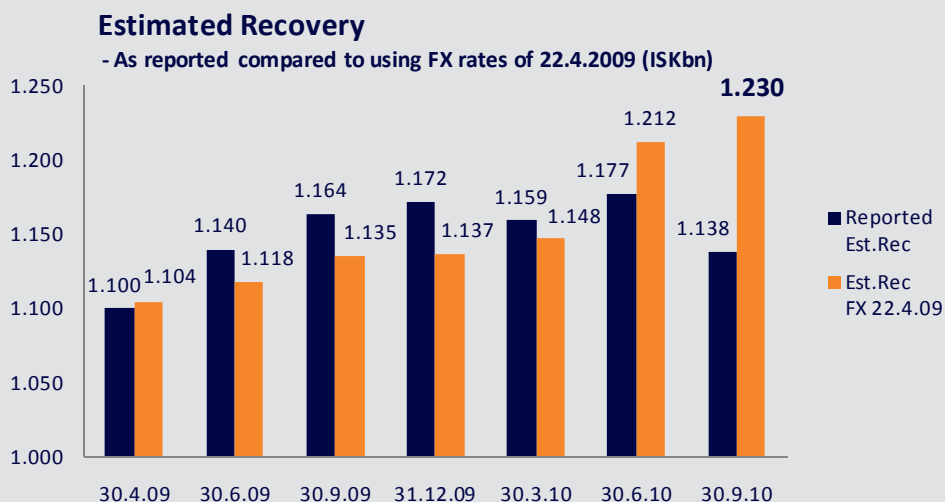
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# Estimated Global Recovery

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Estimated Recovery ISKbn	30.6.2010	30.9.2010	FX change	Actual Change in Quarter*	
Cash	269	293	(16)	40	15%
Loans to Financial Inst.	78	72	(2)	(5)	(7%)
Loans to Customers	382	346	(18)	(18)	(5%)
Bonds & Equities	87	81	(4)	(2)	(2%)
NBI Financing	335	322	(16)	4	1%
Derivatives	22	20	(0)	(2)	(10%)
Investment in Subsidiaries	2	2	0	0	2%
Non current assets	2	3	0	1	35%
<b>Total</b>	<b>1.177</b>	<b>1.138</b>	<b>(56)</b>	<b>18</b>	<b>2%</b>

\*Actual Change excluding FX variations.



## Estimated Global Recovery

- Actual estimated recovery increased in the quarter by ISK 18bn or 2%.
- Reported estimated recovery however decreased in the quarter due to FX changes by ISK 56bn as the ISK appreciated on average by 3%.

## Actual change in Estimated Recovery

- As less than 9% of LBI's assets will be collected in ISK, while the reporting currency is ISK, currency fluctuation have considerable effect on estimated recovery.
- If FX volatility is controlled for by fixing FX rates as of a certain date the estimated value of recoverable assets has increased by ISK **126bn** since 30 April 2009 (see graph) or on average by ISK **21bn** each quarter.
- Not controlling for FX rates, since 30 April 2009 reported estimated recovery has increased by ISK 38bn. Thus FX changes decrease the reported estimation of recovery by ISK 92bn.

# Statement of Assets and Liabilities

## Landsbanki Íslands hf.

ISKbn	Recorded balance sheet as of 30.6.2010	Estimated value of assets 30.6.2010	Recorded balance sheet as of 30.9.2010	Estimated value of assets 30.9.2010
Loans to Financial Institutions				
Cash	269	269	293	293
Loans to Financial Institutions	245	79	231	72
Loans to customers	1.097	382	1.056	346
Bonds & Equities	131	87	126	81
Derivatives	100	22	94	20
Investments in subsidiaries	89	2	89	2
Non-current assets	2	2	3	3
Other assets	7	0	6	0
<b>Total assets without NBI</b>	<b>1.940</b>	<b>842</b>	<b>1.897</b>	<b>816</b>
Financial instrument from NBI				
A Bond	297	297	282	282
Contingent Bond	10	10	17	17
Equity in NBI	28	28	28	28
NBI Equity Claw Back	0	0	(5)	(5)
<b>Total assets</b>	<b>2.275</b>	<b>1.177</b>	<b>2.219</b>	<b>1.138</b>

ISKbn	Book value as of 22.4.2009
Loans from Financial Institutions	264
Deposits from customers	
Wholesale	158
Retail	1.161
Securities issued	1.178
Other borrowings	187
Subordinated bonds	217
Derivatives	173
Other liabilities	89
<b>Total liabilities</b>	<b>3.427</b>

### Assets

- Recorded balance sheet is presented after set-off. Estimated and realized set-off amounts are subject to uncertainty.
- Recorded balance sheet amounts for Loans and derivatives are presented at nominal value outstanding plus accrued interest.
- From Q4 2010 Loan Exposures are expected to decrease due to final write-offs.
- For listed Equities & Bonds the amount is market value. For unlisted equity and bonds the amount is cost based or based on fundamental valuation.

### Liabilities

- The number for liabilities shown as of 22 April 2009 are not acquired from the WuB Register of claims.

	FX rates			
	22.4.2009	30.6.2010	30.9.2010	%change
CAD:	105,5	120,3	110,4	(8,2%)
EUR:	169,2	156,7	154,4	(1,5%)
GBP:	191,1	190,8	178,3	(6,5%)
USD	130,7	127,6	113,4	(11,1%)

# Overview of LBI's Liabilities

## Landsbanki Íslands hf.

Liabilities according to the balance sheet and ISK FX rate 22 April 2009 in ISKbn	
Loans from Financial Institutions	264
Deposits from Customers	1.319
Securities issued and other borrowings	1.365
Subordinated Bonds	217
Derivatives	173
Other Liabilities	89
<b>Total liabilities</b>	<b>3.427</b>

The amount of liabilities shown above is not based on the list of claims lodged.

### Balance sheet

- The number for liabilities shown as of 22 April 2009 are not acquired from the WuB Register of claims.

### Claims lodged

- Only claims lodged against the bank in accordance with the provisions of Chapter XVIII of the Bankruptcy Act which are finally accepted by the Winding-up Board (or the Icelandic Courts as the case may be) are considered legally binding. Claims which are not lodged or are finally rejected are cancelled with respect to LBI's estate (unless the specific exemptions in points 1 – 6 of Article 118 in the Bankruptcy Act apply).
- The balance sheet of LBI will eventually reflect the outcome of the claims process. As claims become finally accepted the Balance Sheet will gradually be amended accordingly.
- The Winding-up Board intends to conclude its review of claims not yet considered and present its decisions in that respect at the creditors' meeting on 19 May 2011.

Overview of claims lodged and the status of the claims process as of 1 December 2010, ISKbn	Total amount of claims lodged	Total amount of claims accepted	Total amount of claims rejected	Total amount of claims not yet reviewed	Total amount of finally accepted claims	Total amount of finally rejected claims
Claims pursuant to Article 109 of the BA	41	0	36	5	0	0
Claims pursuant to Article 110 of the BA	29	0	29	0	0	0
Claims pursuant to Article 111 of the BA	474	3	129	343	0	0
Claims pursuant to Article 112 of the BA	2.852	1.289	176	1.387	0	0
Claims pursuant to Article 113 of the BA	2.689	535	644	1.509	0	0
Claims pursuant to Article 114 of the BA*	40	0	29	40	0	0
<b>Total amount</b>	<b>6.125</b>	<b>1.827</b>	<b>1.043</b>	<b>3.285</b>	<b>0</b>	<b>0</b>

\* The WuB does not review claims that are subordinated according to Article 114 of the BA (cf. Article 119). Claims that have been lodged based on Articles 109 - 113 and are, upon review by the WuB, found to be subordinated are presented above as rejected although that rejection only refers to the ranking without further review.

# Estimated Recovery by Locations as of 30.9.2010

## Landsbanki Íslands hf.

ISKbn	Reykjavik	London	Amsterdam	Labki/Halifax	Total
Loans to Financial Institutions					
Cash	117	134	30	11	293
Loans to Financial Institutions	68	4	0	0	72
Loans to Customers	128	132	61	24	346
Bonds & Equities	55	26	0	0	81
Derivatives	20	0	0	0	20
Investments in Subsidiaries	2	0	0	0	2
Non-current Assets	3	0	0	0	3
<b>Total assets without Instrument from NBI</b>	<b>393</b>	<b>296</b>	<b>92</b>	<b>35</b>	<b>816</b>
NBI A Bond	282				282
NBI Contingent Bond	17				17
NBI Equity	28				28
NBI Equity Claw Back	(5)				(5)
<b>Total Assets</b>	<b>715</b>	<b>296</b>	<b>92</b>	<b>35</b>	<b>1.138</b>
					<b>Total Liabilities as of 22.4.2009</b>
Loans from Financial Institutions	259	0	5	0	264
Deposits from Customers	8	979	332	0	1.319
Securities issued and other borrowings	1.365	0	0	0	1.365
Subordinated Bonds	217	0	0	0	217
Derivatives	173	0	0	0	173
Other Liabilities	72	16	1	0	89
<b>Total Liabilities</b>	<b>2.094</b>	<b>995</b>	<b>338</b>	<b>0</b>	<b>3.427</b>

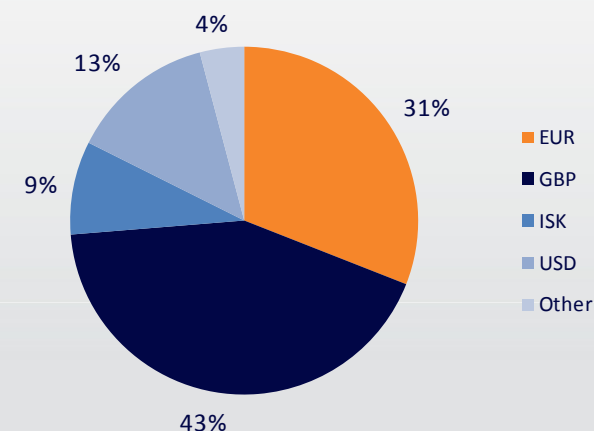
# Treasury

Landsbanki Íslands hf.

## Cash Balances - Using Currency Exchange Rates 30.9.2010

Currency	In currency m			ISKbn		
	30.6.2010	30.9.2010	Change in Quarter	30.6.2010	30.9.2010	Change in Quarter
AUD	12	11	0	1,3	1,2	0,0
CAD	49	65	16	5,4	7,1	1,7
DKK	82	85	4	1,7	1,8	0,1
EUR	456	587	130	70,5	90,6	20,1
GBP	675	702	27	120,4	125,2	4,8
ISK	24.046	25.379	1.333	24,0	25,4	1,3
USD	265	348	83	30,1	39,5	9,4
Other				1,5	1,9	0,4
<b>Total ISKbn</b>				<b>254,8</b>	<b>292,7</b>	<b>37,9</b>

## Currency Composition of Cash Balances 30.9.2010



## Cash Positions by Location

Location	30.6.2010*	30.9.2010	Change in Quarter
Reykjavik	95,3	117,2	21,9
London	123,7	134,3	10,6
Amsterdam	27,0	30,4	3,4
Labki/Halifax	8,7	10,7	2,0
<b>Total ISKbn</b>	<b>254,8</b>	<b>292,7</b>	<b>37,9</b>

\*Using exchange rates 30.9.2010, using exchange rate 30.6.2010 the total amount would be 269 bn

- Cash balances have increased by 15% after excluding FX changes in the period and now amounts to 26% of total expected recovery.
- End of year cash forecast was ISK 286bn\*\*. Cash balances were ISK 292,7bn at the end of Q3 2010, hence already exceeding the forecast for the year.

\*\*As forecasted in the beginning of 2010 and using exchange rates 30.9.2010.

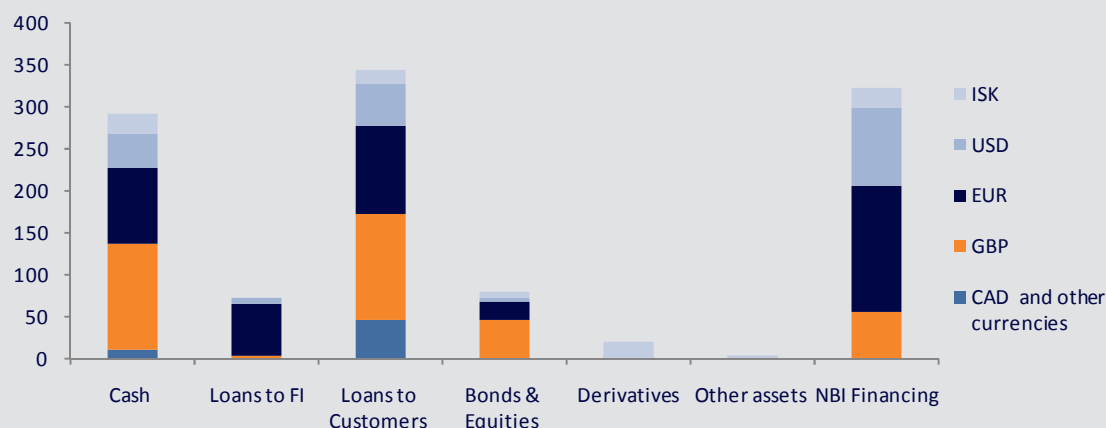


# LBI Estimated Recovery by Currency

Landsbanki Íslands hf.

ISKbn	ISK	USD	EUR	GBP	CAD	Other currencies	Total
Cash	25	39	91	125	7	5	293
Loans to Financial Institutions	0	6	62	4	0	0	72
Loans to Customers	17	51	106	124	24	24	346
Bonds & Equities	8	3	22	47	0	0	81
Derivatives	20	0	0	0	0	0	20
Other assets	3	1	0	1	0	0	5
<b>Total assets without NBI Instrument</b>	<b>73</b>	<b>100</b>	<b>281</b>	<b>301</b>	<b>31</b>	<b>28</b>	<b>816</b>
NBI A Bond	0	87	143	52	0	0	282
NBI Contingent Bond	0	5	9	3	0	0	17
NBI Equity	28	0	0	0	0	0	28
NBI Equity Claw Back	(5)	0	0	0	0	0	(5)
<b>Total assets</b>	<b>96</b>	<b>193</b>	<b>432</b>	<b>357</b>	<b>31</b>	<b>28</b>	<b>1.138</b>

Estimated Recovery by Currency in ISKbn



- No significant changes in estimated recovery by currency.
- 38% of the expected recovery is in EUR, 31% in GBP, 17% in USD and 8% in ISK.

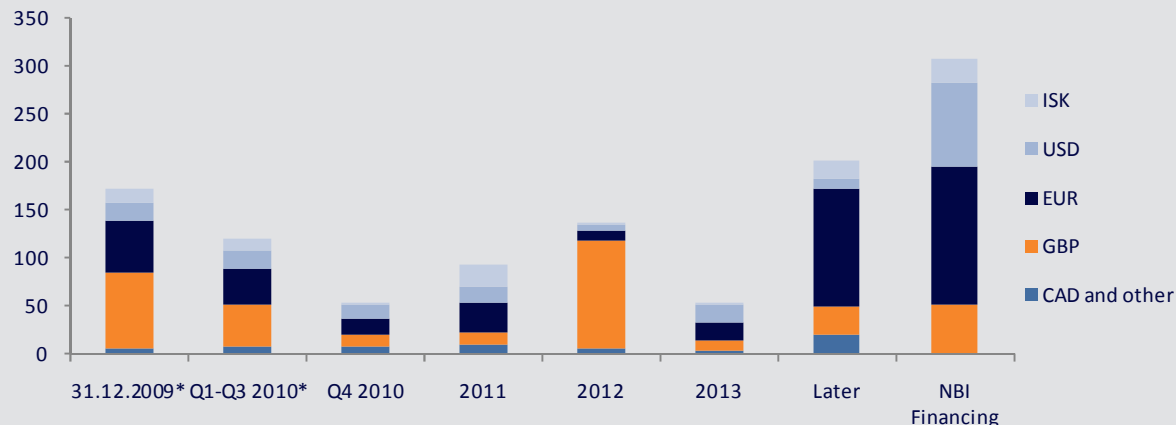
# Estimated cash-flow by currency

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ISKbn	Cash 31.12.2009*	Cash Q1- Q3 2010*	Q4 2010	2011	2012	2013	Later	NBI A -Bond	NBI Cont. Bond	NBI Equity	Total
ISK	14	11	2	22	4	2	18	0	0	23	96
USD	20	19	15	17	6	17	10	83	5	0	193
EUR	53	38	16	31	10	19	123	134	9	0	432
GBP	81	45	13	14	112	11	30	49	3	0	357
CAD and other	5	7	7	10	6	4	21	0	0	0	60
<b>Total assets</b>	<b>173</b>	<b>120</b>	<b>53</b>	<b>93</b>	<b>138</b>	<b>53</b>	<b>201</b>	<b>267</b>	<b>17</b>	<b>23</b>	<b>1.138</b>

\*Using exchange rate 30.9.2010

Estimated Cash-Flow by Currency in ISKbn



- Expected cash flow in 2010 has increased by 9% since our last estimation.
- ISK 293bn have already been collected in cash and by year end it is estimated that cash collected will reach ISK 346bn.
- Since debt completion was not finalised on 30.9.2010 no interest payments on the A bond had been received from NBI at that time. In October the debt completion was finalised and interest payments were received from NBI.

# Total Cost

## Landsbanki Íslands hf.

Total Cost All values in ISKm	2010			Change QoQ	
	Q1	Q2	Q3	Q1-Q2	Q2-Q3
Payroll and benefits	942	652	536	(31%)	(18%)
Administration cost	87	104	92	20%	(11%)
Legal and other expert costs	1.603	1.335	949	(17%)	(29%)
Dutch Administration cost & support	82	124	0	50%	(100%)
Other Operational costs	296	171	171	(42%)	(0%)
SLA cost	262	262	262	0%	0%
<b>Distribution by location</b>					
Iceland	1.823	1.570	1.307	(14%)	(17%)
London	1.127	713	531	(37%)	(26%)
Canada	76	80	73	5%	(8%)
Amsterdam	247	285	100	15%	(65%)
<b>Total ISKm</b>	<b>3.273</b>	<b>2.648</b>	<b>2.011</b>	<b>(19%)</b>	<b>(24%)</b>

- Cost has decreased significantly in 2010. The decrease from Q1-Q2 2010 was 19% and 24% from Q2-Q3.
- The decrease in the period is mainly explained by:
  - Debt completion finalised in October 2010.
  - Reduced work in some large restructuring cases.
- Cost can be expected to decrease further in the coming months for various reasons:
  - Forensic investigation is expected to be mostly finished in 2010.
  - Some large restructuring cases are expected to be finalised in 2010.
  - SLA cost is expected to decrease in 2011, as the contract is being revised.
- An increase of cost may, however, be expected in the coming quarters due to litigation related to the claims process as the number of cases, their volume and complexity is significant.
  - Many cases rely on advice or input from foreign experts, including legal advice in cases where foreign law applies.
  - Cost may also increase due to other types of litigation but as a principle such litigation is based on a cost/benefit analysis.

Cost by Location per Quarter in ISKm

