

October 2<sup>nd</sup> 2012

# Landsbanki Íslands hf.

Financial information as of 30.6.2012

Please Note: this is an updated version of the presentation released Oct. 2 and contains additional information. (10/10/2012)

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- 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>.

## Disclaimer cont.

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# Estimated Global Recovery

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Estimated Recovery ISKbn	31.3.2012	30.6.2012	Changes in Quarter			FX as of 22.4.2009	
			FX change	Actual	% change	31.3.2012	30.6.2012
Cash	294,4	192,7	(9,7)	(92,0)	(31%)	279,0	194,6
Loans to Financial Inst.	79,7	33,4	(4,2)	(42,1)	(53%)	79,3	34,6
Loans to Customers	220,6	272,4	(7,7)	59,6	27%	216,8	271,5
Bonds	27,0	53,7	(0,5)	27,2	101%	27,9	57,1
Equities	22,7	40,3	(0,4)	18,0	79%	22,8	40,2
LB Financing	376,8	303,7	(11,2)	(61,9)	(16%)	376,7	312,6
Derivatives	1,9	1,8	0,0	(0,0)	(1%)	1,9	1,8
Investment in Subsidiaries	1,0	0,9	0,0	(0,1)	(7%)	1,0	1,0
Non current assets	3,8	3,8	(0,1)	0,1	2%	3,9	3,9
<b>Total assets</b>	<b>1.027,9</b>	<b>902,8</b>	<b>(33,8)</b>	<b>(91,3)</b>	<b>(9%)</b>	<b>1.009,2</b>	<b>917,3</b>

Changes in Estimated Recovery (ISKbn)	FX as of 30.6.2012	FX as of 22.04.2009
Reported estimated recovery	903	917
Total estimated recovery decreased in the period by	<b>(91)</b>	<b>(92)</b>
Partial payments in the period	(167)	(162)
Increase in estimated recovery following an agreement with LI LUX	45	46
Increase in estimated recovery of LB Financing	10	12
Other changes in estimated recovery	21	12
Reported estimated recovery in excess of priority claims as of 30.6.2012	<b>156</b>	<b>179</b>

# Overview of claims lodged and partial payments

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Claim Priority - Liability type	Accepted Amounts <sup>(1)</sup>	Settled by other means	Paid from recoveries	Liabilities 30.6.2012
<b>109 - Proprietary Interest</b>	<b>4,8</b>	<b>4,8</b>	-	-
<b>110 - Administrative Expense</b>	<b>7,1</b>	<b>5,1</b> <sup>(3)</sup>	<b>2,0</b>	-
<b>111 - Guarantee Claims</b>				-
Deposit - Retail	6,3	6,3	-	-
Loans from Financial Institutor	48,9	48,9	-	-
Other borrowings	2,7	2,7	-	-
<b>Total Guarantee Claims</b>	<b>57,9</b>	<b>57,9</b> <sup>(2)</sup>	-	-
<b>112 - Priority Claims</b>				
Deposit - Retail	1.167,0	-	507,1	659,9
Deposit - Wholesale	144,4	-	60,9	83,6
Loans from Financial Institutor	5,0	-	-	5,0
Other liabilities	1,0	-	0,3	0,6
<b>Total Priority Claims</b>	<b>1.317,4</b>	-	<b>568,3</b> <sup>(4)</sup>	<b>749,1</b> <sup>(5)</sup>
<b>113 - General Claims</b>				
Deposit - Retail	0,2	-	-	0,2
Deposit - Wholesale	10,4	-	-	10,4
Derivatives	157,0	-	-	157,0
Loans from Financial Institutor	46,9	-	-	46,9
Other borrowings	179,4	-	-	179,4
Other liabilities	9,4	-	-	9,4
Securities Issued	1.230,2	-	-	1.230,2
<b>Total General Claims</b>	<b>1.633,5</b>	-	-	<b>1.633,5</b> <sup>(6)</sup>
<b>Grand Total</b>	<b>3.020,8</b>	<b>67,9</b>	<b>570,3</b>	<b>2.382,7</b>

- <sup>(1)</sup> Accepted Amounts consist of finally decided claims and for WuB decisions for claims which are not finally decided.

- <sup>(2)</sup> Potential increases in claims accepted under priority 109 and 111 should not affect expected recoveries.

- <sup>(3)</sup> The settlement of 5.1bn ISK done by set-off has been challenged and is subject to court proceedings

- <sup>(4)</sup> 10.5bn ISK is in escrow accounts due to claims still subject to dispute, 15,2bn ISK have been returned from escrow.

- <sup>(5)</sup> 98.5% of accepted Priority claims have been finally decided, loans from financial institutions might increase by 8.3bn (or decrease by up to 5bn), subject to court cases on Money Market loans.

- <sup>(6)</sup> Around 20% of accepted General Claims have been finally decided so accepted amounts in this category might materially change.

# Statement of Assets

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ISKbn	Recorded balance sheet as of 31.3.2012	Estimated value of assets 31.3.2012	Recorded balance sheet as of 30.6.12	Estimated value of assets 30.6.12	Est. value of assets 30.6.2012, Fx 22.04.2009
Loans to Financial Institutions					
Cash	294	294	193	193	195
Loans to Financial Institutions	252	80	162	33	35
Loans to customers	764	221	869	272	271
Bonds	82	27	70	54	57
Equities	23	23	38	40	40
Derivatives	49	2	48	2	2
Investments in subsidiaries	88	1	88	1	1
Non-current assets	4	4	5	4	4
Other assets	6	0	6	0	
<b>Total assets excl. LB Financing</b>	<b>1.562</b>	<b>651</b>	<b>1.478</b>	<b>599</b>	<b>605</b>
LB Financing					
LB A Bond	295	295	212	212	221
LB Contingent Bond	78	78	92	92	92
LB Equity	28	28	28	28	28
LB Equity Claw Back	(24)	(24)	(28)	(28)	(28)
<b>Total assets</b>	<b>1.939</b>	<b>1.028</b>	<b>1.782</b>	<b>903</b>	<b>917</b>

### Assets

- Recorded balance sheet amounts are presented after set-off. Estimated and realized set-off amounts are subject to uncertainty.

### Liabilities

- Overview of Liabilities as of 30.6.2012 was shown in slide 5.
- On LBI's creditors meeting held 22th of November the WuB will report on the status of claims.

# Agreement with LI Lux

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<b>Estimated recovery before the agreement</b>	<b>EURm</b>	<b>ISKbn</b>
Claim on LILUX	350	55
Betula, retained by LBI	108	17
Cash used as payment to BCL	130	21
	<b>588</b>	<b>93</b>
<b>Estimated recovery after the agreement</b>		
Loan portfolio transferred to LBI	140	22
Avens replacement bond	285	45
Betula, now reported as loans	355	56
Remaining claim on LILUX	77	12
Cash from LILUX	14	2
	<b>872</b>	<b>138</b>

**Net increase of estimated recovery is ISK 45bn**

- On June 29, LBI, BCL and the liquidator closed an agreement whereby LBI acquired the majority of LI Lux's asset portfolio by settling BCL's remaining outstanding claim.
- BCL's claim was settled by payments from the LI Lux estate and LBI. The cash used as payment to BCL from LBI was EUR 130m and is expected to be recovered through collections on the asset portfolio received by LBI by year-end 2013.
- Saved interest by early settlement of their claim is additional recovery to creditors. Furthermore, by assuming direct control of LI Lux's asset portfolios, LBI reduces uncertainty regarding value of the underlying assets and thus this agreement has a positive impact on our estimated recovery as shown in the table.

# Assets - Driver of Change for Recorded Balance Sheet

## Landsbanki Íslands hf.

ISKm GLOBAL	Cash	Loans to FI	Loans to Cust.	Bonds	Equities	LB Financing	Derivatives	Other Assets	Total
Recorded 31.3.2012	298,1	251,7	764,1	82,0	23,0	376,8	49,1	97,6	1.942,6
Assets at risk 31.3.2012	(3,7)	0,0	0,0	0,0	0,0	0,0	0,0	0,0	(3,7)
<b>Recorded after set-off 31.3.2012</b>	<b>294,4</b>	<b>251,7</b>	<b>764,1</b>	<b>82,0</b>	<b>23,0</b>	<b>376,8</b>	<b>49,1</b>	<b>97,6</b>	<b>1.938,9</b>
Recorded 30.6.2012	196,2	281,7	868,6	69,7	40,6	303,7	48,1	98,8	1.907,5
Assets at risk 30.6.2012	(3,6)	(119,3)	0,0	0,0	0,0	0,0	0,0	0,0	(122,8)
<b>Recorded after set-off 30.6.2012</b>	<b>192,7</b>	<b>162,4</b>	<b>868,6</b>	<b>69,7</b>	<b>40,6</b>	<b>303,7</b>	<b>48,1</b>	<b>98,8</b>	<b>1.784,6</b>
<b>Total Change</b>	<b>(101,7)</b>	<b>(89,3)</b>	<b>104,5</b>	<b>(12,3)</b>	<b>17,6</b>	<b>(73,1)</b>	<b>(1,0)</b>	<b>1,1</b>	<b>(154,3)</b>
Payments	64,8	(11,2)	(5,5)	24,7	(0,0)	(72,7)	(0,1)	(0,1)	0,0
Partial payments	(153,9)	0,0	0,0	0,0	0,0	0,0	0,0	0,0	(153,9)
Transaction costs	(3,4)	0,0	0,0	0,0	0,0	0,0	0,0	0,0	(3,4)
FX changes	(9,6)	(11,4)	(27,6)	(0,3)	(0,4)	(11,2)	0,0	(0,1)	(60,6)
Reclassification	0,0	(134,6)	161,9	(37,1)	8,7	0,0	0,0	1,1	(0,0)
Change in Exposure value	0,0	67,9	(0,1)	0,4	9,3	9,7	(0,0)	0,1	87,4
Income	1,7	0,0	12,8	0,0	0,0	1,0	0,0	0,1	15,6
Operational Expenses	(1,3)	0,0	0,0	0,0	0,0	0,0	0,0	0,0	(1,3)
Write-off	0,0	0,0	(37,0)	0,0	0,0	0,0	(1,0)	0,0	(37,9)
<b>Total Change</b>	<b>(101,7)</b>	<b>(89,3)</b>	<b>104,5</b>	<b>(12,3)</b>	<b>17,6</b>	<b>(73,1)</b>	<b>(1,0)</b>	<b>1,1</b>	<b>(154,3)</b>

**Definitions (we note that the numbers are shown in FX on the relevant dates, not the FX on 22 April 2009):**

**Assets at risk:** Exposure where validity is uncertain.

**Payments:** Net payments from loans, derivatives and dividend payments as well as collected cash due to sale of assets (cash basis; not accrual).

**Partial payments:** Partial payments to creditors.

**Transaction costs:** Paid costs directly linked to assets disposals.

**FX changes:** Change in Recorded balance Sheet numbers due to changes in currency exchange rate.

**Reclassification:** Change in Recorded balances numbers due to revision between asset classes due to enforcement of security or restructuring.

**Change in Exposure value:** Change in Exposure value for financial assets with variable exposures, e.g. Bonds, Equities, Loans to FI, Derivatives and NBI Financing.

**Income:** Accrued interests on loans, cash/fees and dividend payments.

**Operational Expenses:** Paid operational expenses.

**Write off:** Final write-offs.



# Assets – Driver of Change for Estimated Recovery

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ISKbn GLOBAL	Cash	Loans to FI	Loans to Cust.	Bonds	Equities	LB Financing	Derivatives	Other Assets	Total
Estimated recovery 31.3.2012	294,4	79,8	220,6	27,0	22,7	376,8	1,9	4,8	<b>1.028,0</b>
Estimated recovery 30.6.2012	192,7	33,4	272,4	53,7	40,3	303,7	1,8	4,7	<b>902,8</b>
<b>Total Change</b>	<b>(101,7)</b>	<b>(46,4)</b>	<b>51,8</b>	<b>26,7</b>	<b>17,6</b>	<b>(73,1)</b>	<b>(0,0)</b>	<b>(0,1)</b>	<b>(125,3)</b>
Payments	64,8	(11,2)	(5,5)	24,7	(0,0)	(72,7)	(0,1)	(0,1)	0,0
Partial payments	(153,9)	0,0	0,0	0,0	0,0	0,0	0,0	0,0	(153,9)
Transaction costs	(3,4)	0,0	0,0	0,0	0,0	0,0	0,0	0,0	(3,4)
FX changes	(9,6)	(4,5)	(7,7)	(0,5)	(0,4)	(11,2)	0,0	(0,1)	(34,0)
Reclassification	0,0	(66,6)	66,0	(7,3)	8,7	0,0	0,0	0,0	0,9
Valuation	0,0	35,9	(1,2)	9,8	9,3	9,7	0,0	0,1	63,6
Income	1,7	0,0	0,2	0,0	0,0	1,0	0,0	0,0	3,0
Operational Expenses	(1,3)	0,0	0,0	0,0	0,0	0,0	0,0	0,0	(1,3)
<b>Total Change</b>	<b>(101,7)</b>	<b>(46,4)</b>	<b>51,8</b>	<b>26,7</b>	<b>17,6</b>	<b>(73,1)</b>	<b>(0,0)</b>	<b>(0,1)</b>	<b>(125,3)</b>

## Main changes

- Partial payments were ISK 153,9bn in Q2.
- Payment from LB was ISK 72,7bn in Q2 and the valuation for the contingent bond increased by ISK 9,7bn.
- An agreement was made with LI Lux that reflects in reclassification of assets and in higher recovery of ISK 45bn.

## Definitions (we note that the numbers are shown in FX on the relevant dates, not the FX on 22 April 2009):

**Payments:** Net payments from loans, derivatives and dividend payments as well as collected cash due to sale of assets (cash basis; not accrual).

**Partial payments:** Partial payments to creditors.

**Transaction costs:** Paid costs directly linked to assets disposals.

**FX changes:** Change in Recorded balance Sheet numbers due to changes in currency exchange rate.

**Reclassification:** Change in Recorded balances numbers due to revision between asset classes due to enforcement of security or restructuring.

**Valuation:** Changes in valuation between periods.

**Income:** Accrued interests on loans, cash/fees and dividend payments.

**Operational Expenses:** Paid operational expenses.

# LBI Estimated Recovery by Currency

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ISKbn	ISK		USD		EUR		GBP		Other		Total		Total with Fx as of 22.04.2009	
	31.3.12	30.6.12	31.3.12	30.6.12	31.3.12	30.6.12	31.3.12	30.6.12	31.3.12	30.6.12	31.3.12	30.6.12	31.3.12	30.6.12
Cash	16	15	18	50	22	52	211	57	27	19	294	193	279	195
Loans to FI	0	0	0	0	68	22	12	11	0	0	80	33	79	35
Loans to Customers	12	11	35	29	53	83	83	104	37	45	221	272	217	271
Bonds	0	0	8	8	19	45	0	0	0	0	27	54	28	57
Equities	9	16	0	9	0	0	14	16	0	0	23	40	23	40
Derivatives	2	2	0	0	0	0	0	0	0	0	2	2	2	2
Other assets	2	1	2	2	0	1	0	0	0	0	5	5	5	5
<b>Total excl. LB Fin.</b>	<b>41</b>	<b>45</b>	<b>63</b>	<b>99</b>	<b>162</b>	<b>203</b>	<b>320</b>	<b>188</b>	<b>65</b>	<b>64</b>	<b>651</b>	<b>599</b>	<b>632</b>	<b>605</b>
LB A Bond	0	0	93	69	146	103	55	40	0	0	295	212	294	221
LB Contin. Bond	0	0	23	28	39	46	16	18	0	0	78	92	78	92
LB Equity	28	28	0	0	0	0	0	0	0	0	28	28	28	28
LB Equity Claw Back	(24)	(28)	0	0	0	0	0	0	0	0	(24)	(28)	(24)	(28)
<b>Total assets</b>	<b>45</b>	<b>45</b>	<b>179</b>	<b>195</b>	<b>348</b>	<b>352</b>	<b>391</b>	<b>247</b>	<b>65</b>	<b>64</b>	<b>1.028</b>	<b>903</b>	<b>1.009</b>	<b>917</b>

- Main changes in estimated recovery by currency:

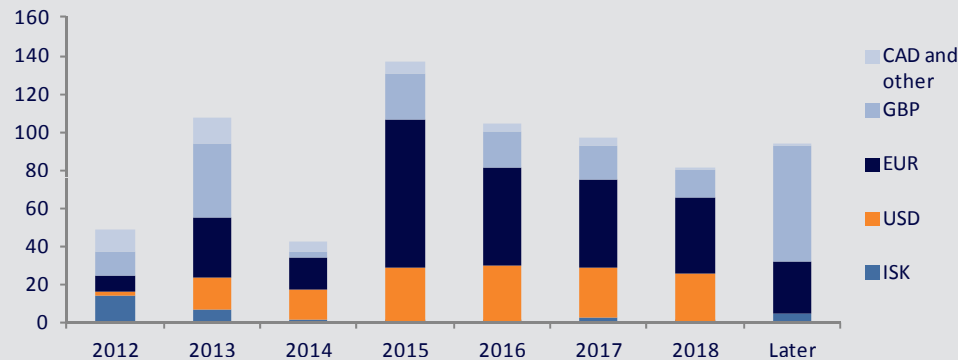
- ISK is unchanged since last quarter, now 5% of total assets.
- USD increased mainly due to FX changes and higher valuation of the Contingent Bond
- EUR increased mainly due to higher valuation slightly offset by payments.
- GBP decreased mainly due to partial payments.

# Estimated Recovery Cash Flow by Currency

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ISKbn	Cash 30.6.2012	2012	2013	2014	2015	2016	2017	2018	Later	Total	Total 30.6.2012 FX as of 22.4.2009
ISK	15	14	7	1	1	0	2	0	5	45	45
USD	50	3	17	16	28	29	26	25	0	195	204
EUR	52	8	31	17	77	52	47	40	27	352	376
GBP	57	12	39	3	25	19	17	15	61	247	239
CAD and other	19	11	13	5	6	4	4	1	0	64	54
<b>Total assets</b>	<b>193</b>	<b>48</b>	<b>107</b>	<b>42</b>	<b>137</b>	<b>104</b>	<b>97</b>	<b>81</b>	<b>93</b>	<b>903</b>	<b>917</b>

30.6.2012 - Estimated Cash-Flow by Currency in ISKbn



- Using FX on 30.6.2012 cash already collected is ISK 793bn, or 52% of total estimated recovery. Thereof ISK 600bn have been used for partial payments.
- In accordance with the agreement with LI Lux the estimated recovery cash flow has been updated.

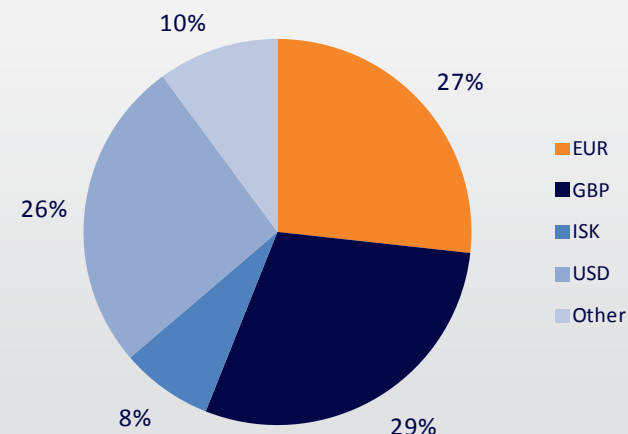
# Loans to Financial Institutions - Cash and Cash Equivalents

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### Cash Balances - Using Currency Exchange Rates 30.6.2012

Currency	In currency m			ISKbn		
	31.3.2012	30.6.2012	Change in Quarter	31.3.2012	30.6.2012	Change in Quarter
AUD	19,0	18,6	(0,4)	2,4	2,4	(0,0)
CAD	86,7	70,4	(16,3)	10,6	8,6	(2,0)
DKK	386,7	157,3	(229,4)	8,2	3,3	(4,9)
EUR	131,7	325,6	193,9	20,8	51,5	30,7
GBP	1.045,6	288,3	(757,3)	205,0	56,5	(148,5)
ISK	0,0	0,0	0,0	15,7	14,8	(0,9)
USD	0,0	0,0	(0,0)	17,3	50,3	33,0
Other				4,9	5,1	0,2
<b>Total ISKbn</b>				<b>285,0</b>	<b>192,7</b>	<b>(92,3)</b>

### Currency Composition of Cash Balances 30.6.2012



Balances in ISKbn Equivalent - 30.6.2012		
Type	Rating by S&P	Balance
Foreign bank 1	S&P:A+	62,8
Foreign bank 2	S&P:A	28,5
Domestic bank 1	-	27,5
Foreign bank 3	S&P:AA-	20,8
Foreign bank 4	S&P:A+	15,9
Other		37,1
<b>Total ISK bn</b>		<b>192,7</b>

- At end of Q2 2012 cash balances amounted to 21,4% of total estimated recovery.
- Domestic Banks: Thereof 27,5bn in ISK.
- The Treasury Department is additionally in charge of escrow accounts that are operated in relation to the Partial Payments. At the end of Q2 2012 the balances amounted to ISK 10,5bn equivalent, using exchange rates 22.4.2009.

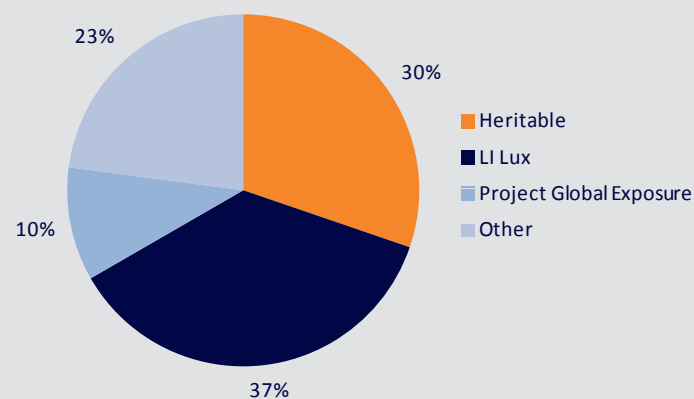
# Loans to Financial Institutions

## Landsbanki Íslands hf.

All amounts in ISKbn	Recorded Balance		Estimated Recovery		Recovery Rate %	
	31.3.2012	30.6.2012	31.3.2012	30.6.2012	31.3.2012	30.6.2012
Heritable bank	17,4	16,9	10,4	10,1	60%	60%
LI Lux	151,8	64,5	59,0	12,2	39%	19%
Project Global Exposure	22,8	21,4	3,7	3,5	16%	16%
Other	59,7	59,7	6,7	7,7	11%	13%
<b>Total ISKbn</b>	<b>251,7</b>	<b>162,4</b>	<b>79,7</b>	<b>33,4</b>	<b>32%</b>	<b>21%</b>

- Estimated recovery in Loans to FI reduced from ISK 79,7bn to ISK 33,4bn mainly due to reclassification in connection with the LI Lux agreement.
- Estimated recovery of Heritable decreases due to FX changes
- Estimated recovery in Other increases due to higher valuation.

**Estimated Recovery as of 30.6.2012**



# Loans to Customers

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All amounts in ISKbn	Recorded Balance		Estimated Recovery		Recovery Rate %	
	31.3.2012	30.6.2012	31.3.2012	30.6.2012	31.3.2012	30.6.2012
Reykjavík	590,8	623,3	97,6	104,4	17%	17%
London Branch	108,8	181,8	80,5	124,6	74%	69%
Amsterdam	37,1	34,1	21,5	20,3	58%	60%
Labki	27,4	29,5	21,1	23,2	77%	78%
<b>Total ISKbn</b>	<b>764,1</b>	<b>868,6</b>	<b>220,6</b>	<b>272,4</b>	<b>29%</b>	<b>31%</b>

### Reykjavík

- Estimated recovery increases due to reclassification following an agreement with LI LUX.

### London Branch

- Estimated recovery increases mostly due to reclassification from Bonds but is partially offset by payments and FX changes.

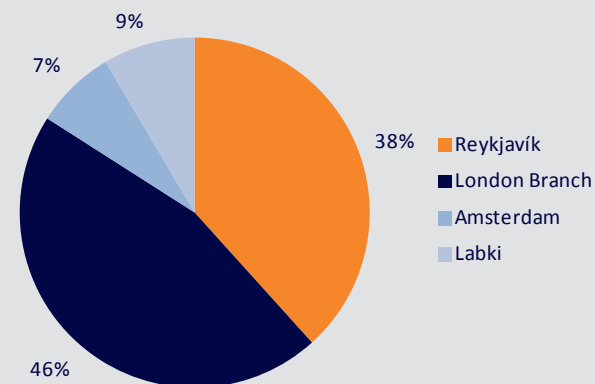
### Amsterdam

- Estimated recovery decreases mainly due to FX changes.

### Labki

- Estimated recovery increases due to seasonal drawings.

Estimated Recovery as of 30.6.2012



# Loans to Customers by Sector

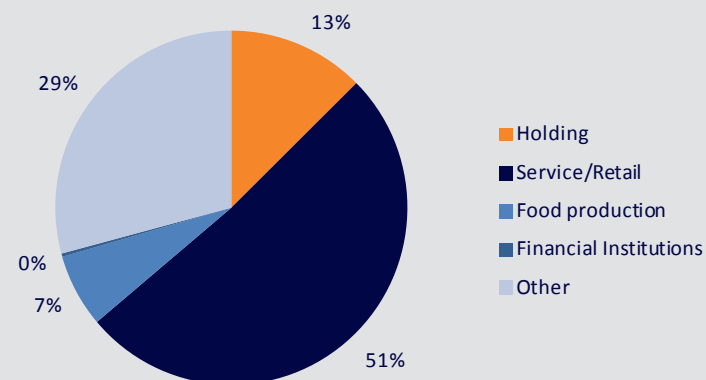
## Reykjavik

Sector	Loan Exposure		Estimated Recovery		Recovery Rate %	
	31.3.2012	30.6.2012	31.3.2012	30.6.2012	31.3.2012	30.6.2012
Holding	278,2	232,2	23,4	13,1	8%	6%
Service/Retail	208,2	201,2	57,4	53,5	28%	27%
Food Production	32,5	31,0	7,7	7,0	24%	23%
Financial Institutions	5,6	5,4	0,3	0,3	6%	6%
Other	66,4	153,4	8,7	30,5	13%	20%
<b>Total ISKbn</b>	<b>590,8</b>	<b>623,3</b>	<b>97,6</b>	<b>104,4</b>	<b>17%</b>	<b>17%</b>

Main changes in estimated recovery:

- Holding companies decreases due to a reclassification from loans to equities.
- Service/Retail decreases due to FX changes.
- Food Production decreases due to FX changes.
- Other increases due to a transfer of loans from LI LUX following an agreement with LI LUX.

Estimated Recovery as of 30.6.2012



# Loans to Customers by sector, cont.

## London

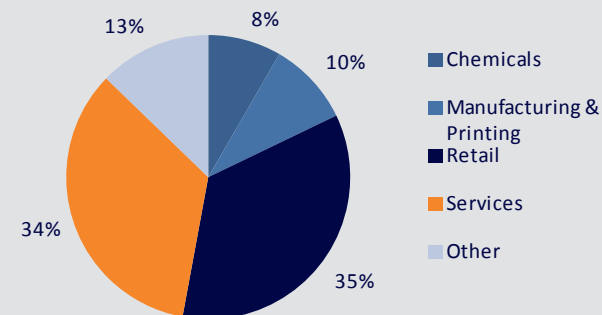
All amounts in ISKbn	Loan Exposure		Estimated Recovery		Recovery Rate%	
	31.3.2012	30.6.2012	31.3.2012	30.6.2012	31.3.2012	30.6.2012
Leveraged Finance	77,4	72,2	58,3	54,5	75%	75%
Trade Finance	0,2	0,2	0,2	0,2	100%	100%
Commercial Finance	16,1	15,3	6,8	5,6	42%	37%
Commercial Finance US	15,1	11,8	15,1	11,8	100%	100%
Betula leverage	0,0	82,3	0,0	52,5	-	64%
<b>Balance Sheet total</b>	<b>108,8</b>	<b>181,8</b>	<b>80,5</b>	<b>124,6</b>	<b>74%</b>	<b>69%</b>

Sector	Loan Exposure		Estimated Recovery		Recovery Rate%	
	31.3.2012	30.6.2012	31.3.2012	30.6.2012	31.3.2012	30.6.2012
Chemicals	7,9	10,6	7,8	10,4	99%	98%
Manufacturing & Printing	16,0	18,7	9,9	11,9	70%	64%
Retail	38,1	64,8	24,9	43,6	65%	67%
Services	36,9	59,5	31,0	42,8	84%	72%
Other	9,8	28,2	6,9	15,9	70%	74%
<b>Total ISKbn</b>	<b>108,8</b>	<b>181,8</b>	<b>80,5</b>	<b>124,6</b>	<b>74%</b>	<b>69%</b>

Estimated recovery: Increase in estimated recovery mainly due to reclassification from bonds in relation with agreement with LI Lux.

- Leverage & Trade: ISK 1.1bn repaid, negative FX impact and no major valuation change
- Commercial Finance: ISK 0.3bn in repayments, negative FX impact and lowering valuation on remaining loans.
- Commercial Finance US: ISK 3bn in repayments, negative FX impact.

Estimated Recovery as of 30.6.2012





# Loans to Customers by sector, cont.

## Amsterdam, Labki/RVK

Amsterdam Sector	Loan Exposure		Estimated Recovery		Recovery Rate%	
	31.3.2012	30.6.2012	31.3.2012	30.6.2012	31.3.2012	30.6.2012
Chemicals	7,0	6,5	7,0	6,5	100%	100%
Manufacturing & Machinery	7,8	7,3	7,8	7,3	100%	100%
Printing & Publishing	5,4	5,1	3,0	2,8	55%	56%
Retail	2,5	1,5	0,5	0,7	21%	45%
Services	14,5	13,6	3,2	2,9	22%	22%
<b>Total ISKbn</b>	<b>37,1</b>	<b>34,1</b>	<b>21,5</b>	<b>20,3</b>	<b>58%</b>	<b>60%</b>

### Amsterdam

- Estimated recovery decreases mainly due to FX changes. Exposure in Services reduces due to reclassification from Loans to Non-current assets.

Labki/RVK Sector	Loan Exposure		Estimated Recovery		Recovery Rate%	
	31.3.2012	30.6.2012	31.3.2012	30.6.2012	31.3.2012	30.6.2012
Chemicals	0,6	0,6	0,2	0,0	36%	36%
Fisheries	25,4	27,4	19,5	21,6	81%	78%
Construction	1,4	1,5	1,4	1,5	100%	100%
<b>Total ISKbn</b>	<b>27,4</b>	<b>29,5</b>	<b>21,1</b>	<b>23,2</b>	<b>81%</b>	<b>79%</b>

### Labki/RVK

- Exposure and estimated recovery of Fisheries increases due to seasonal drawings.

# Other assets

## Landsbanki Íslands hf.

### Bonds & Equities

All amounts in ISKbn	Recorded Balance		Estimated Recovery		Recovery Rate %	
	31.3.2012	30.6.2012	31.3.2012	30.6.2012	31.3.2012	30.6.2012
Bonds	82,0	69,7	27,0	53,7	33%	77%
Equities	23,1	40,6	22,7	40,3	99%	99%
<b>Total ISKbn</b>	<b>227,3</b>	<b>110,4</b>	<b>49,7</b>	<b>94,0</b>	<b>22%</b>	<b>85%</b>

### Derivatives

Sector	Exposure		Estimated Recovery		Recovery Rate %	
	31.3.2012	30.6.2012	31.3.2012	30.6.2012	31.3.2012	30.6.2012
Holding Companies	17,7	17,7	0,0	0,0	0%	0%
Pension Funds	6,6	6,6	0,6	0,6	9%	9%
Industrials	18,5	18,3	0,7	0,7	4%	4%
Fisheries	3,8	3,1	0,4	0,4	11%	14%
Other	2,5	2,5	0,1	0,1	4%	4%
<b>Total</b>	<b>49,1</b>	<b>48,1</b>	<b>1,9</b>	<b>1,8</b>	<b>4%</b>	<b>4%</b>

### Other assets

All amounts in ISKbn	Recorded Balance sheet		Estimated Recovery		Recovery Rate %	
	31.3.2012	30.6.2012	31.3.2012	30.6.2012	31.3.2012	30.6.2012
Investment in Subs.	88,3	88,3	1,0	0,9	1%	1%
Non-current assets	3,8	5,0	3,8	3,8	100%	76%
Other assets	5,5	5,5	0,0	0,0	0%	0%
<b>Total ISKbn</b>	<b>97,6</b>	<b>98,8</b>	<b>4,8</b>	<b>4,7</b>	<b>5%</b>	<b>5%</b>

### Bonds & Equities

- Bonds increases by ISK 27bn mainly due to bonds received in connection with the LI Lux agreement and reclassification of Betula into loans to customers.
- Estimated recovery of equities increases by ISK 17,6bn due to reclassification and higher valuation.

### Derivatives

- Slightly reduced estimated recovery due to lower valuation and payments.

### Other assets

- Increase in exposure of Non-current assets due to reclassification from loans in Amsterdam.

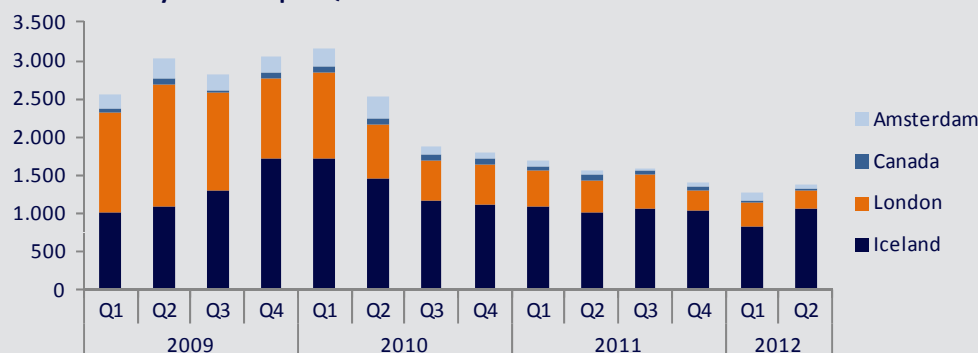
# Total Operational Cost

## Landsbanki Íslands hf.

ISKm	2011				2012		Change QoQ
	Q1	Q2	Q3	Q4	Q1	Q2	
Housing and logistics	50	58	60	42	60	33	(45%)
Payroll and benefits	524	554	522	466	493	426	(14%)
Icelandic legal cost	199	199	160	267	300	205	(32%)
Icelandic expert cost	121	56	121	46	102	61	(40%)
Non-Icelandic legal cost	267	186	382	249	71	175	146%
Non-Icelandic expert cost	269	263	162	134	107	362	239%
Other Operational costs	167	147	85	112	74	51	(30%)
SLA cost	88	88	88	88	68	68	0%
<b>Breakdown by location</b>							
Iceland	1.084	1.004	1.061	1.038	837	1.076	29%
London	469	434	439	261	304	231	(24%)
Canada	67	65	59	52	39	16	(60%)
Amsterdam	66	48	22	53	95	58	(39%)
<b>Total ISKm</b>	<b>1.686</b>	<b>1.550</b>	<b>1.581</b>	<b>1.404</b>	<b>1.275</b>	<b>1.382</b>	<b>8%</b>

- Housing and logistics decreases due to relocation of the London Branch office to a smaller premises.
- Payroll and benefits decreases by 14% from Q1.
- Icelandic Legal cost decreases by 32% from Q1.
- ISK 223m of Non Icelandic expert cost is accumulated cost in H1 paid in Q2.
- Other Operational Cost decreases by 30% from Q1.
- SLA cost is a quarterly fixed cost of 68m according to the SLA with LB.

Cost by Location per Quarter in ISKm



## Historical overview of the Driver of Change for Recorded Balance Sheet

ISKm GLOBAL	Cash	Loans to FI	Loans to Cust.	Bonds	Equities	LB Financing	Derivatives	Other Assets	Total
Opening Balance Sheet 8.10.08	5	631	1.259	444	78	284	228	160	3.088
Correction of OBS	26	0	(227)	(82)	8	0	(73)	(44)	(392)
<b>Recorded value 8.10.08</b>	<b>31</b>	<b>631</b>	<b>1.031</b>	<b>362</b>	<b>86</b>	<b>284</b>	<b>155</b>	<b>117</b>	<b>2.696</b>
Recorded 30.06.2012	196	282	869	70	41	304	48	99	1.907
Assets at risk 30.06.2012	(4)	(119)	0	0	0	0	0	0	(123)
<b>Recorded after set-off 30.06.2012</b>	<b>193</b>	<b>162</b>	<b>869</b>	<b>70</b>	<b>41</b>	<b>304</b>	<b>48</b>	<b>99</b>	<b>1.785</b>
<b>Total Change</b>	<b>162</b>	<b>(469)</b>	<b>(163)</b>	<b>(292)</b>	<b>(45)</b>	<b>20</b>	<b>(107)</b>	<b>(18)</b>	<b>(912)</b>
Payments	739	(68)	(295)	(1)	(206)	(100)	(60)	(7)	0
Partial payments	(573)								(573)
Transaction cost	(3)								(3)
FX changes	7	53	93	(9)	(4)	25	(3)	0	162
Reclassification	(0)	(251)	114	90	44	0	(9)	11	0
Change in Exposure value	0	76	0	4	122	65	(3)	0	264
Income	28	0	268	0	0	31	0	0	327
Paid Expences	(38)	0	0	0	0	0	0	0	(38)
Set-off	3	(252)	0	(375)	0	0	0	(14)	(638)
Write-off	0	(27)	(343)	0	(1)	0	(32)	(9)	(413)
<b>Total Change</b>	<b>162</b>	<b>(469)</b>	<b>(163)</b>	<b>(292)</b>	<b>(45)</b>	<b>20</b>	<b>(107)</b>	<b>(18)</b>	<b>(912)</b>

## FX rates

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Currency	22.4.2009	31.3.2012	30.6.2012	% Change
CAD	105,5	126,7	122,7	(3,1%)
EUR	169,2	168,7	158,2	(6,2%)
GBP	191,1	202,2	196,0	(3,1%)
USD	130,7	126,5	125,1	(1,1%)