

November 17th 2011

Landsbanki Íslands hf.

Financial Information – Q3 2011

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

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Estimated Global Recovery

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Estimated Recovery ISKbn	30.6.2011	30.9.2011	FX change	Actual Change in Quarter*	
Cash	453	484	(4,2)	35,4	8%
Loans to Financial Inst.	85	76	(3,1)	(5,0)	(6%)
Loans to Customers	225	201	(3,3)	(21,5)	(10%)
Bonds	22	28	(0,9)	7,1	32%
Equities	146	145	0,4	(1,3)	(1%)
LB Financing	340	343	(3,2)	5,6	2%
Derivatives	14	3	0,0	(11,1)	(81%)
Investment in Subsidiaries	1	1	(0,1)	0,0	0%
Non current assets	4	3	0,0	(0,3)	(7%)
Total	1.290	1.285	(14,5)	9,0	1%

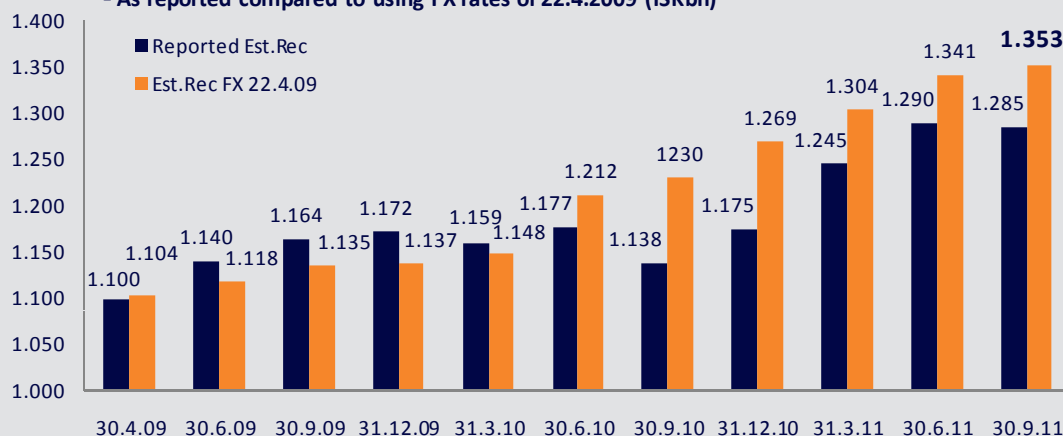
*Actual Change excluding FX variations.

Estimated Global Recovery

- Estimated recovery has decreased by ISK 5,5bn in the quarter.
 - Actual estimated recovery increased in the quarter by ISK 9,0bn.
 - FX changes decreased the reported estimated recovery in the quarter by ISK 14,5bn.
- The main changes in estimated recovery are reflected in;
 - Higher Cash position, mainly due to payments from Loans to FI, Derivatives and Loans to Customers.
 - Higher estimated recovery of Bonds due to reclassification from Derivatives and increased estimated recovery of LB Financing.
- Estimated recovery for UK retail assets (Equities –unlisted) excluding FX changes remains unchanged since 30.6.2011.

Estimated Recovery

- As reported compared to using FX rates of 22.4.2009 (ISKbn)



Actual change in Estimated Recovery

- If FX volatility of ISK is controlled for by fixing FX rates as of certain date (22.4.2009) the estimated recovery has increased by ISK 249bn since 30 April 2009 (see graph) to ISK 1.353bn, which is ISK 34bn higher than priority claims as recorded in balance sheet.
- Not controlling for FX rates and using FX rates as per the reporting date (now 30 September 2011), since 30 April 2009 reported estimated recovery has increased by ISK 185bn.

Statement of Assets and Liabilities

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ISKbn	Recorded balance sheet as of 30.6.2011	Estimated value of assets 30.6.2011	Recorded balance sheet as of 30.9.2011	Estimated value of assets 30.9.2011
Loans to Financial Institutions				
Cash	453	453	484	484
Loans to Financial Institutions	278	85	239	76
Loans to customers	784	225	691	201
Bonds	73	22	82	28
Equities	147	146	145	145
Derivatives	83	14	50	3
Investments in subsidiaries	88	1	88	1
Non-current assets	4	4	3	3
Other assets	6	0	6	0
Total assets excl. LB Financing	1.916	950	1.790	942
LB Financing				
LB A Bond	280	280	277	277
LB Contingent Bond	46	46	54	54
LB Equity	28	28	28	28
LB Equity Claw Back	(14)	(14)	(16)	(16)
Total assets	2.256	1.290	2.133	1.285

Assets

- Recorded balance sheet amounts are 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.
- For listed Equities & Bonds the amount is market value. For unlisted equity and bonds the amount is cost based or based on fundamental valuation.

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
Total liabilities	3.427

	FX rates			
	22.4.2009	30.6.2011	30.9.2011	%change
CAD:	105,5	118,5	113,6	(4,1%)
EUR:	169,2	165,8	158,7	(4,3%)
GBP:	191,1	183,7	184,4	0,4%
USD:	130,7	114,2	118,0	3,3%

Liabilities

- The numbers for liabilities shown as of 22 April 2009 are not acquired from the WuB Register of claims, and may therefore be subject to change in accordance with eventual decisions of the Icelandic Courts, as the case may be.

Claims lodged and status of the claim process

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Balance sheet

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

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
Total Liabilities	3.427

Claims lodged and status of claim process

- 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 were not lodged before the 31st of October 2009 or that have been 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).
- Total amount of accepted claims by WuB is ISK 2.985bn of which ISK 1.141bn have been confirmed by the Icelandic Supreme Court.
- There are no claims accepted under Article 109 and 110. Claims of ISK 52bn are accepted under Article 111. These claims are based on accepted set-off against LBI assets that have not been part of LBI's estimated recovery amounts to date.
- The balance sheet of LBI will eventually reflect the outcome of the claims process. As claims become finally accepted the Balance Sheet liabilities will gradually be amended accordingly.

Overview of claims lodged and the status of the claims process as of 10 November 2011 in ISKbn	Total amount of claims lodged	Total amount of claims accepted by WuB	Total amount of claims rejected by WuB	Total amount of claims finally decided	Total amount of claims finally rejected
Claims pursuant to Article 109	39	0	39	0	0
Claims pursuant to Article 110	43	0	43	0	0
Claims pursuant to Article 111	475	52	423	0	0
Claims pursuant to Article 112	2.858	1.323	1.535	1.141	100
Claims pursuant to Article 113	2.676	1.610	1.066	0	0
Claims pursuant to Article 114	43	0	43	0	0
	6.134	2.985	3.149	1.141	100

Estimated Recovery by Location

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ISKbn	Reykjavik		London		Amsterdam		Labki/Halifax		Total		%
	30.6.11	30.9.11	30.6.11	30.9.11	30.6.11	30.9.11	30.6.11	30.9.11	30.6.11	30.9.11	Change
Loans to Financial Institutions											
Cash	188	196	184	202	67	72	14	14	453	484	7%
Loans to Financial Institutions	78	75	6	1	0	0	0	0	85	76	(10%)
Loans to Customers	68	62	102	92	32	23	24	23	225	201	(11%)
Bonds	0	7	22	21	0	0	0	0	22	28	28%
Equities	136	135	10	9	0	0	0	0	146	145	(1%)
Derivatives	14	3	0	0	0	0	0	0	14	3	(81%)
Investments in Subsidiaries	1	1	0	0	0	0	0	0	1	1	(4%)
Non-current Assets	4	3	0	0	0	0	0	0	4	3	(7%)
Total assets excl. LB Financing	488	484	324	326	99	95	38	38	950	942	(1%)
LB A Bond	280	277							280	277	(1%)
LB Contingent Bond	46	54							46	54	17%
LB Equity	28	28							28	28	0%
LB Equity Claw Back	(14)	(16)							(14)	(16)	17%
Total Assets	829	827	324	326	99	95	38	38	1.290	1.285	(0%)

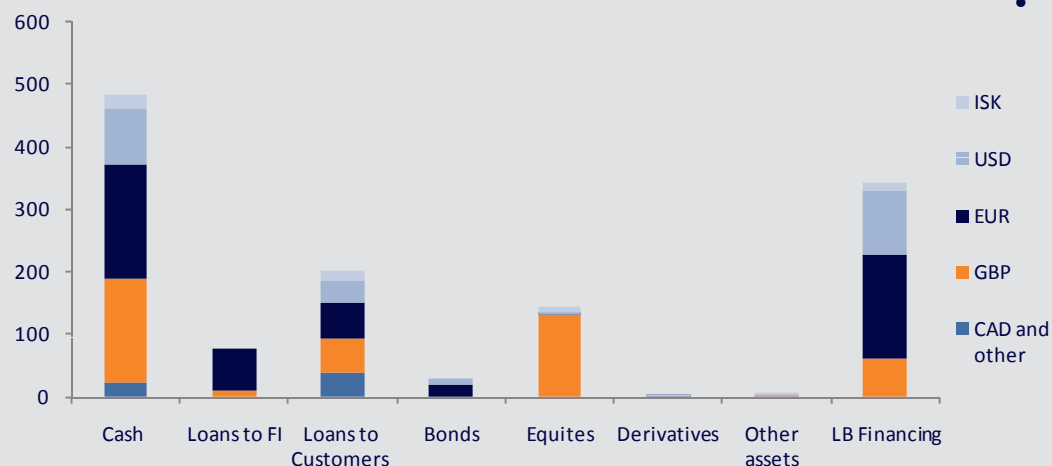
- **Reykjavík:** Estimated recovery decreases by ISK 2bn. This decrease is mainly due to FX changes and lower valuation of Loans to customers, partly offset by increased valuation of LB Financing.
- **London Branch:** Overall expected recovery increases by ISK 2bn. This increase is driven by increased recoveries in Loans to Financial Institutions, offset slightly by FX.
- **Amsterdam:** Estimated recovery decreases by ISK 4bn. This is explained by FX changes and lower valuation.
- **Labki/Halifax:** No material changes in the period.

LBI Estimated Recovery by Currency

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ISKbn	ISK		USD		EUR		GBP		CAD		Other		Total	
	30.6.11	30.9.11	30.6.11	30.9.11	30.6.11	30.9.11	30.6.11	30.9.11	30.6.11	30.9.11	30.6.11	30.9.11	30.6.11	30.9.11
Cash	25	23	83	90	160	181	164	169	6	7	15	14	453	484
Loans to FI	0	0	0	0	75	66	9	11	0	0	0	0	85	76
Loans to Customers	15	13	41	36	70	59	57	52	25	25	17	16	225	201
Bonds	0	0	0	8	22	21	0	0	0	0	0	0	22	28
Equities	9	9	3	3	0	0	133	133	0	0	0	0	146	145
Derivatives	14	3	0	0	0	0	0	0	0	0	0	0	14	3
Other assets	2	2	2	2	0	0	0	0	0	0	0	0	5	5
Total excl. LB Fin.	66	50	129	139	327	327	364	365	31	31	32	30	950	942
LB A Bond	0	0	84	87	145	139	51	51	0	0	0	0	280	277
LB Contingent Bond	0	0	14	16	23	27	9	11	0	0	0	0	46	54
LB Equity	28	28	0	0	0	0	0	0	0	0	0	0	28	28
LB Equity Claw Back	(14)	(16)	0	0	0	0	0	0	0	0	0	0	(14)	(16)
Total assets	80	62	227	243	495	493	424	427	31	31	32	30	1.290	1.285

Estimated Recovery by Currency in ISKbn



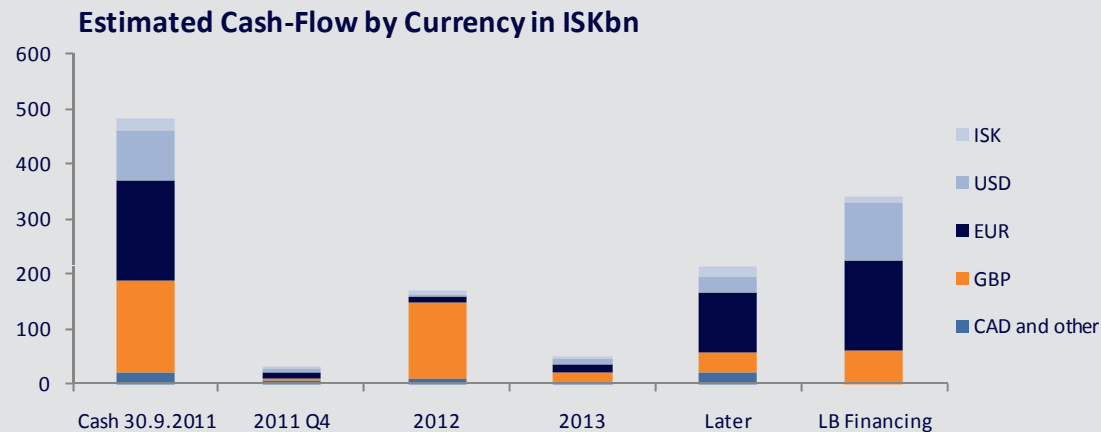
• Main changes in estimated recovery by currency:

- ISK reduced from 80bn to 62bn and is now 5% of total assets. The decrease is mainly due to settlement with the Pensions Funds and LB Contingent Bond/Equity Claw Back right.
- USD increased from 227bn to 243bn mainly due to reclassification of Derivatives (ISK) to Bonds (USD) – settlement with Pension Funds, higher valuation of LB A Bond and Contingent Bond, and FX changes.
- EUR only decreases by 2bn from 495bn to 493bn despite substantial negative FX changes.
- GBP increased from 424bn to 427bn mainly due to increased valuation of LB Contingent Bond and Loans to FI.

Estimated Recovery Cash-Flow by Currency

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ISKbn	Cash 30.9.2011	2011 Q4	2012	2013	Later	LB A Bond/Equity	Contingent Bond	Total
ISK	23	2	5	2	19	12	0	62
USD	90	6	5	9	28	87	16	243
EUR	181	11	10	16	110	138	27	493
GBP	169	5	138	16	37	51	11	427
CAD and other	21	5	10	4	21	0	0	61
Total assets	484	29	169	47	215	287	54	1.285



- ISK 484bn has already been collected in cash. Cash collection is in line with revised budget.
- Main changes since last estimated recovery cash-flow are due to settlement with the Pension Funds on Derivatives.

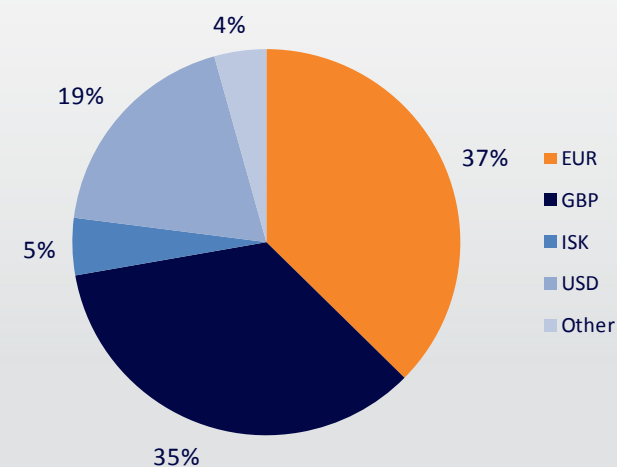
Treasury

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Cash Balances - Using Currency Exchange Rates 30.9.2011

Currency	In currency m			ISKbn		
	30.6.2011	30.9.2011	Change in Quarter	30.6.2011	30.9.2011	Change in Quarter
AUD	15	15	0	1,7	1,7	0,0
CAD	52	61	9	5,9	6,9	1,0
DKK	384	382	(3)	8,2	8,1	(0,1)
EUR	963	1.140	177	152,8	180,9	28,1
GBP	892	917	25	164,5	169,1	4,6
ISK	25.491	23.034	(2.457)	25,5	23,0	(2,5)
USD	728	765	37	85,8	90,2	4,4
Other				4,2	4,3	0,0
Total ISKbn				448,7	484,3	35,6

Currency Composition of Cash Balances 30.9.2011



Cash Recovery by Location

Location	30.6.2011	30.9.2011	Change in Quarter
Reykjavik	186,1	196,1	10,0
London	183,8	202,2	18,4
Amsterdam	64,5	71,9	7,5
Labki/Halifax	14,3	14,1	(0,2)
Total ISKbn	448,7*	484,3	35,6

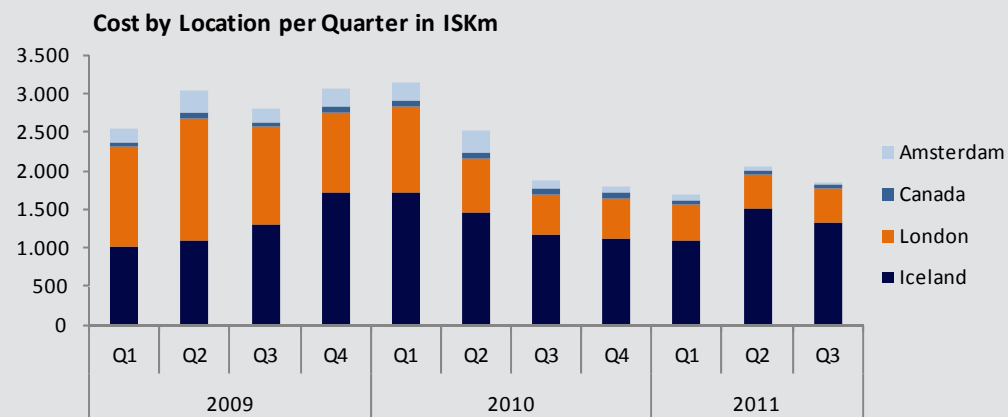
*Using exchange rates 30.6.2011 the total amount would be ISK 453,1bn

- Cash balances have increased by 8% excluding FX changes in the period and now amounts to 38% of total estimated recovery.

Total Cost

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ISKm	2011			2011 YTD	Change QoQ
	Q1	Q2	Q3		
Housing and logistics	50	58	60	168	3%
Payroll and benefits (overall)	524	554	522	1.600	(6%)
Icelandic legal cost	199	199	160	558	(20%)
Other expert cost - Icelandic vendors	121	56	121	299	115%
Non-Icelandic legal cost	267	186	382	835	106%
Non-Icelandic expert cost	269	263	162	694	(38%)
Sales costs of UK retail assets	0	508	261	769	(49%)
Other Operational costs	167	147	85	399	(42%)
SLA cost	88	88	88	264	0%
Distribution by location					
Iceland	1.084	1.512	1.322	3.918	(13%)
London	469	434	439	1.341	1%
Canada	67	65	59	190	(10%)
Amsterdam	66	48	22	136	(54%)
Total ISKm	1.686	2.058	1.841	5.585	(11%)



- Total consolidated operating expenses of LBI decreased by ISK 217m, or 11%.
- It is estimated that the housing cost will decrease in 2012 as operations in London and Reykjavík are set to relocate and move to less costly accommodation.
- Payroll and benefits in Q3 was ISK 522m and is reduced by 6% from Q2. Further reductions in labor costs is expected in line with the ongoing wind-down of operations.
- Icelandic legal cost consists of all purchased legal service, including administration cost of the Winding-up Board and Resolution Committee members.
- Other expert cost includes all other Icelandic expert cost than legal, e.g. auditors and other consultants.
- Domestic legal and professional expenses was ISK 281m, or 15% of total operating expenses in Q3, thereof domestic legal expenses was 8%.
- Foreign legal cost, other foreign expert cost and sales costs of UK retail assets was ISK 805m, or 44% of total operating expenses of the bank.