

12 March 2014

LBI hf.

Financial information as of 31.12.2013

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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.

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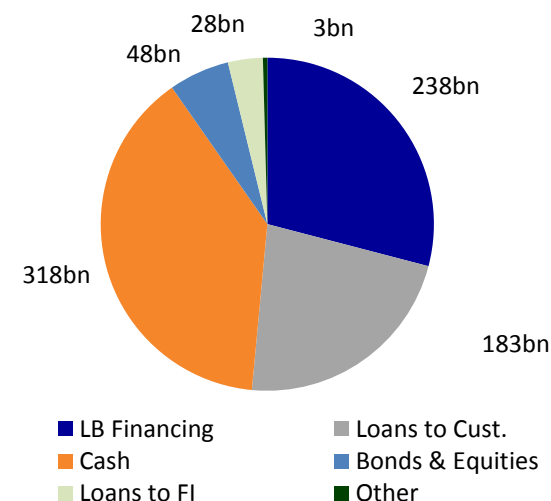
1. Estimated Recovery / Liabilities – Summary
2. Statement of Assets
3. Operational Cost
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Estimated Remaining Recovery - end of Q4 2013

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ISKbn	Estimated recovery		Changes in Quarter		
	30.9.2013	31.12.2013	FX change	Actual	% change
Cash	230,9	317,6	(6,3)	93,0	40%
Loans to Financial Inst.	27,9	27,7	(0,6)	0,4	1%
Loans to Customers	226,7	183,3	(6,6)	(36,8)	(16%)
Bonds	46,9	45,9	(1,4)	0,3	1%
Equities	6,6	2,4	(0,2)	(4,1)	(61%)
LB Financing	297,9	237,7	(9,2)	(50,9)	(17%)
Derivatives	1,1	0,5	0,0	(0,7)	(59%)
Non current assets	2,4	2,9	(0,1)	0,7	28%
Total assets	840,4	818,1	(24,3)	2,0	0%



Highlights in Q4 2013

- **Cash increased in the quarter by net ISK 93,0bn**
 - LB's optional and partial early redemption late December and regular interest payment in October increased Cash by around ISK 53bn.
 - Payments from Loans to Customers increased Cash by around ISK 35bn.
 - LBI's ISK distribution/payment to Landsvaki (priority claim under Art. 110) reduced Cash by approx. ISK 5,1bn.
 - Distribution from LI Lux estate of EUR 10m, or ISK 1,6bn.
 - Disposals of assets
 - Claim against ALMC/Straumur was sold for ISK 2,5bn.
 - Remaining stake in Eimskip was sold for ISK 2,4bn
 - Sale of Meridian (Loans to customers and Equities) was completed, payments to LBI of total ISK 6,5bn.
- **Total actual estimated recovery is stable, increased by ISK 2,0bn**
 - Actual estimated recovery of Loans to Financial Inst. increased by net 0,4bn, mainly due to sale of ALMC/Straumur which was fully offset by increased estimated recovery of Project Global exposures.
 - Actual estimated recovery of Loans to customers decreased by net 36,8bn, mainly due to payments.
 - Actual estimated recovery of Equities decreased by net 4,1bn, mainly due to disposals of LBI's stakes in Eimskip and Meridian.
 - Actual estimated recovery of LB Financing decreased by 49,7bn, mainly due to LB's optional and partial early redemption.
 - Actual estimated recovery of Derivatives decreased by 0,7bn due to payments.
 - Actual estimated recovery of Non current assets increased by 0,7bn due to enforcement of collateral.

Estimated Remaining Global Recovery - Estimated recovery and Partial payments

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Estimated recovery

FX at each reporting date

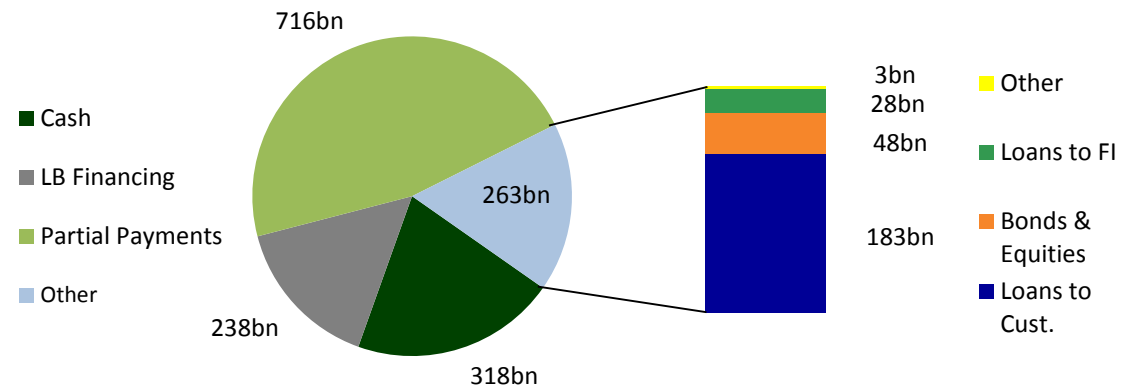
ISKbn	31.12.2011	31.3.2012	30.6.2012	30.9.2012	31.12.2012	31.3.2013	30.6.2013	30.9.2013	31.12.2013
Cash	108,8	294,4	192,7	227,3	194,2	255,5	272,1	230,9	317,6
Loans to Financial Inst.	82,1	79,7	33,4	34,9	59,1	31,5	29,3	27,9	27,7
Loans to Customers	178,4	220,6	272,4	268,5	258,3	219,1	224,4	226,7	183,3
Bonds	28,0	27,0	53,7	54,0	54,3	48,5	49,5	46,9	45,9
Equities	147,6	22,7	40,3	27,7	19,6	7,4	7,2	6,6	2,4
LB Financing	358,8	376,8	303,7	305,8	315,5	293,6	297,2	297,9	237,7
Derivatives	2,4	1,9	1,8	1,6	1,6	1,2	1,1	1,1	0,5
Investment in Subsidiaries	1,0	1,0	0,9	0,0	0,0	0,0	0,0	0,0	0,0
Non current assets	3,6	3,8	3,8	3,6	3,1	2,7	2,6	2,4	2,9
Total remaining assets	910,7	1.027,9	902,8	923,6	905,9	859,4	883,4	840,4	818,1
Part. payments incl. escrow repayments *	409,9	409,9	568,5	568,5	648,0	648,0	648,0	715,3	715,9
Total assets including partial payments	1.320,6	1.437,8	1.471,2	1.492,1	1.553,9	1.507,4	1.531,4	1.555,7	1.534,0

Partial payments to priority creditors

- At the end of Q4 2013 four Partial payments of net total ISK 715,9bn have been made towards priority claims (Art.112), thereof now ISK 3bn into escrow accounts.
- CBI is currently reviewing LBI's two outstanding exemption requests for Partial payments to priority creditors:
 - May/June 2013** requesting: GBP 193m, EUR 375m, USD 192,5m and CAD 31,6m.
 - February 2014** requesting: GBP 233m, EUR 382m, USD 317,5m and CAD 23,8m.
- Using FX rates at 31 January 2014 LBI's outstanding exemption requests are of total ISK 265bn.

* According to the Supreme court ruling no. 553/2013 the FX rates of Partial payments are the selling rates of the Central Bank of Iceland on each payment date.

Estimated recovery 31.12.2013



Statement of Liabilities

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Claim Priority - Liability type	Accepted Amounts	Final*	Settled by other means	Paid from recoveries	Escrow allocations	Liabilities 31/12/2013
109 - Proprietary Claims	4,8	100%	4,8	-	-	-
110 - Administrative Claims (paragraph 3)	8,5	100%	0,9	7,6	-	-
111 - Guarantee Claims						
Deposit - Retail	6,3	100%	6,3	-	-	-
Loans from Financial Institutions	48,9	100%	48,9	-	-	-
Other borrowings	2,8	100%	2,8	-	-	-
Total Guarantee Claims	58,0	100%	58,0	-	-	-
112 - Priority Claims						
Deposit - Retail	1.167,0	100%	-	628,3	0,7	538,0
Deposit - Wholesale	145,4	100%	-	78,1	0,0	67,4
Loans from Financial Institutions	11,7	95%	-	5,4	2,2	4,0
Loans from Financial.Inst. - Rejected	-		-	-	-	0,0
Other liabilities	0,9	92%	-	0,5	0,0	0,5
(Claims settled by lump sum payment)	0,7	100%	-	0,7	-	0,0
Total Priority Claims	1.325,7	100%	0,0	712,9	3,0	609,8
113 - General Claims						
Deposit - Retail	0,2	2%	-	-	-	0,2
Deposit - Wholesale	10,4	79%	-	-	-	10,4
Derivatives	202,8	51%	-	-	-	202,8
Loans from Financial Institutions	46,7	100%	-	-	-	46,7
Other borrowings	179,5	23%	-	-	-	179,5
Other liabilities	9,5	86%	-	-	-	9,5
Securities Issued	1.231,2	72%	22,3	-	-	1.209,0
Total General Claims	1.680,3	65%	22,3	0,0	0,0	1.658,1
Grand Total	3.077,4	81%	86,0	720,5	3,0	2.267,9

In accordance with the Act on Financial Undertakings No. 161/2002, liabilities in foreign currencies are converted to ISK based on the published selling rate from the Central Bank of Iceland at 22nd of April 2009.

- 100% of claims accepted under Article 109., Article 110 and Article 111 are finally accepted.
- Payments to Landsvaki (Art. 110) according to rulings of the Supreme Court, ISK 2bn in Q2 2012 and ISK 5,1bn in Q4 2013.
- 100% of accepted priority claims under Art. 112 are now finally accepted.
- 65% of accepted general unsecured claims under Art. 113 are now finally accepted.
- 81% of all accepted claims are now finally accepted.

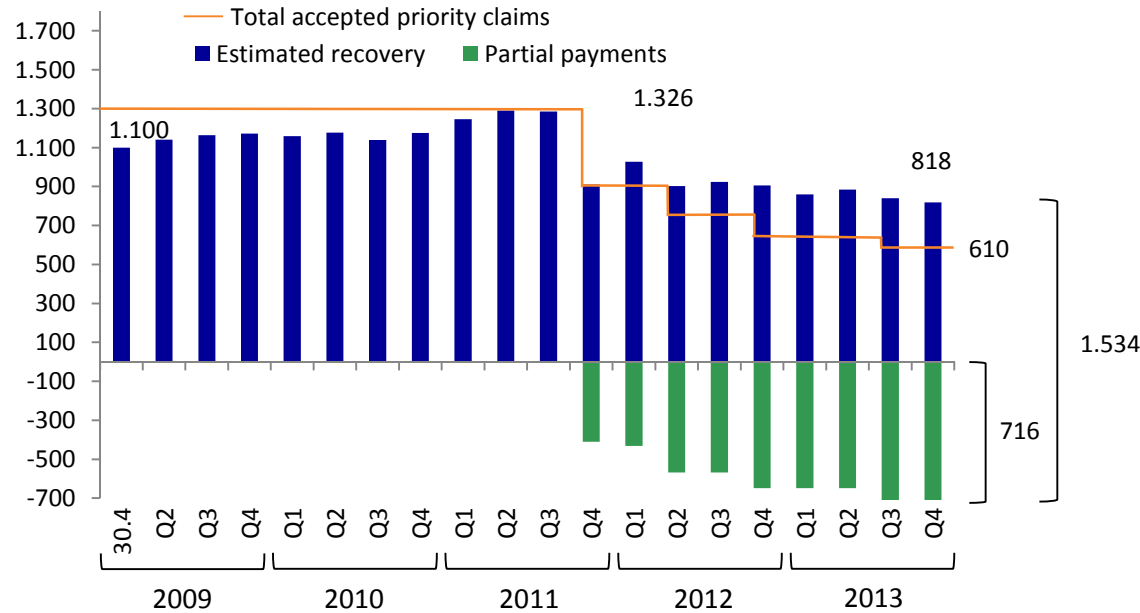
Historical development

Estimated recovery, Partial payments and Priority claims

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Development of the Estimated recovery - using FX rates at each reporting date (ISKbn)



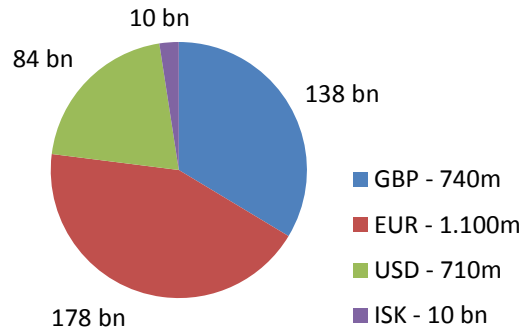
Historical changes

- **Estimated recovery has increased since 30.4.2009 by ISK 434bn** (from ISK 1.100bn to ISK 1.534bn).
 - On 31.12.2013 the estimated recovery was ISK 208bn higher than finally accepted priority claims (Art. 112).
- **Priority claims of ISK 1.326bn** have reduced by four partial payments **down to ISK 610bn**.
- **Four partial payments of net ISK 715,9bn** have been made:
 - 1st made in December 2011 of ISK 410bn
 - 2nd made in May 2012 of ISK 172,3bn
 - 3rd made in October 2012 of ISK 80bn
 - 4th made in September 2013 of ISK 67,2bn
 - Escrow repayments to LBI of ISK 13,6bn

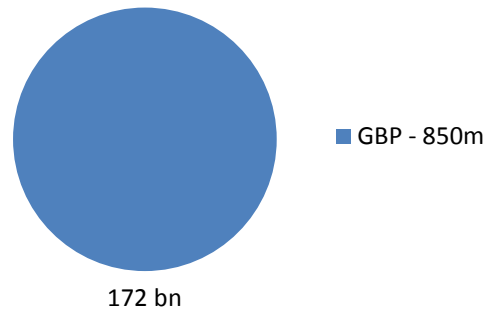
- **Development of estimated recovery for general unsecured creditors.**
 - According to the Supreme court ruling no. 553/2013 the FX rates of Partial payments are the selling rates of the Central Bank of Iceland on each payment date.
 - Estimated recovery reduced by ISK 24bn between periods due to FX changes.
 - At end of Q4 2013 estimated recovery was ISK 208bn higher than finally accepted priority claims (Art. 112).
 - Finally accepted Proprietary interest claims (Art. 109), Administrative expenses claims (Art. 110) and Guarantee claims (Art. 111) would reduce the above estimated recovery.
- **If partial payments are included total estimated recovery is ISK 1.534,0bn. Liabilities as of 31.12.2013 and liabilities paid with the four partial payments are ISK 2.983,8bn, therefore estimated recovery rate is now 51%.**

Partial payments to priority creditors (Art. 112)

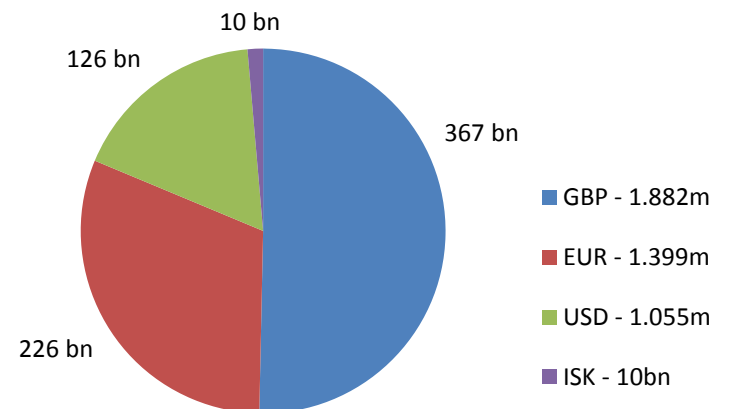
First Partial payments - ISK 409,9bn



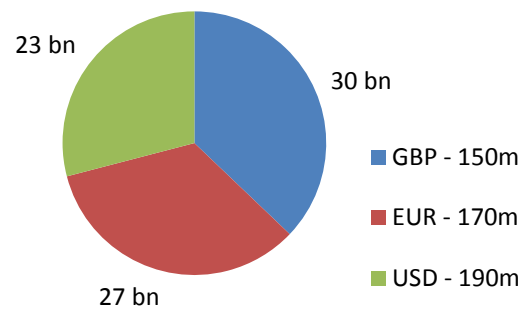
Second Partial payments - ISK 172,3bn



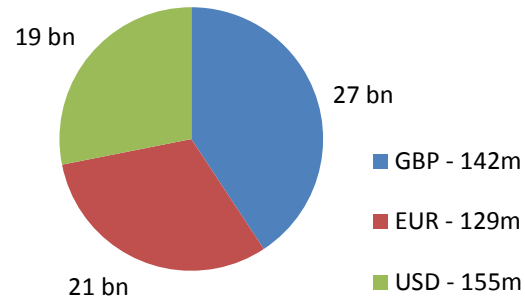
Total Partial payments - ISK 729,4bn.



Third Partial payments - ISK 80,0bn



Fourth Partial payments - ISK 67,2bn



Partial payments to priority creditors (Art. 112)

- Total partial payments of ISK 729,4bn have been made to priority creditors, thereof ISK 3bn are still on escrow accounts.
- Repayments to LBI from escrow accounts amount to ISK 13,6bn. Net partial payments is therefore ISK 715,9bn.
- According to the Supreme court ruling no. 553/2013 the FX rates for Partial payments and escrow payments are the selling rates of the Central Bank of Iceland on each payment date

Estimated remaining recovery by currency

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ISKbn	ISK		USD		EUR		GBP		Other		Total	
	30.9.13	31.12.13	30.9.13	31.12.13	30.9.13	31.12.13	30.9.13	31.12.13	30.9.13	31.12.13	30.9.13	31.12.13
Cash	33	34	33	58	78	121	65	85	22	19	231	318
Loans to FI	0	0	0	1	17	16	10	10	0	0	28	28
Loans to Customers	12	10	19	10	68	53	93	83	35	27	227	183
Bonds	0	0	8	8	39	38	0	0	0	0	47	46
Equities	4	2	0	0	2	0	0	0	0	0	7	2
Derivatives	1	0	0	0	0	0	0	0	0	0	1	0
Other assets	0	1	2	2	0	0	0	0	0	0	2	3
Total excl. LB Fin.	51	47	62	79	204	230	168	178	57	47	543	580
LB A Bond	0	0	66	52	105	84	40	32	0	0	210	168
LB Contin. Bond	0	0	26	20	44	35	17	14	0	0	87	70
LB Equity	0	0	0	0	0	0	0	0	0	0	0	0
LB Equity Claw Back	0	0	0	0	0	0	0	0	0	0	0	0
Total assets	51	47	153	151	354	350	225	224	57	47	840	818

- **Changes in estimated recovery by currencies are mainly explained by FX changes:**

- ISK decreases by ISK 4bn, mainly due to payment of the Landsvaki claim (Art. 110). ISK is now 5,7% of total estimated recovery.
- USD decreases by ISK 2bn and is now 18,4% of total estimated recovery.
- EUR decreases by ISK 4bn and is now 42,7% of total estimated recovery.
- GBP decreases by ISK 1bn and is now 27,3% of total estimated recovery.

Estimated remaining recovery

Expected cash flow by currency and asset categories

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Estimated cash flow by currency

Estimated Recovery (ISKbn)	Cash 31.12.2013	2014	2015	2016	2017	2018	Later	Total
ISK	34	7	1	0	0	2	3	47
USD	58	8	16	24	18	25	0	151
EUR	121	29	43	50	42	35	29	350
GBP	85	19	15	16	12	16	62	224
CAD and other	19	4	8	13	2	2	0	47
Total assets	318	67	82	103	74	80	94	818

Estimated cash flow by asset category

Estimated Recovery (ISKbn)	Cash 31.12.2013	2014	2015	2016	2017	2018	Later	Total
Cash	318							318
Loans to Financial Inst.		10	7	1	1	1	8	28
Loans to Customers		34	23	39	12	10	65	183
Bonds		5	3	3	3	10	21	46
Equities		2	0	0	0	0	0	2
LB Financing		14	48	59	59	59	0	238
Derivatives		0	0					0
Investment in Subsidiaries								0
Non current assets		1	0	2	0	0	0	3
Total assets	318	67	82	103	74	80	94	818

- Based on current estimated cash flow the remainder of priority claims (Art. 112) is expected to be fully covered by cash collected in 2017.
- Cash flow from LB Financing in 2014-2018 is of total ISK 238bn, or 47,5% of expected cash flow in this period.
- Cash flow after 2018 is mainly from Loans to customers (mainly 2 customers) and Bonds (mainly the Avens-replacement bonds).



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Statement of Assets - Cash

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ISKbn	Recorded balance		Estimated recovery	
	30.9.2013	31.12.2013	30.9.2013	31.12.2013
Cash	231	318	231	318
Loans to Financial Institutions	138	101	28	28
Loans to customers	611	585	227	183
Bonds and Equities	71	65	54	48
LB Financing	298	238	298	238
Other assets	113	110	3	3
Total	1.461	1.417	840	818

Cash Balances

Currency	In currency m			ISKbn		
	30.9.2013	31.12.2013	Change	30.9.2013	31.12.2013	Change
AUD	12,0	7,7	(4,3)	1,3	0,8	(0,6)
CAD	91,6	150,6	59,1	10,7	16,3	5,6
DKK	283,9	31,6	(252,3)	6,2	0,7	(5,5)
EUR	478,4	766,0	287,6	77,9	121,4	43,5
GBP	332,7	446,5	113,9	64,8	85,0	20,2
ISK	32.906,5	33.746,9	840,4	32,9	33,7	0,8
USD	275,8	506,2	230,4	33,2	58,3	25,1
Other				3,8	1,4	(2,4)
Total ISKbn				230,9	317,6	86,7

Balances in ISKbn Equivalent - 31.12.2013

Type	Rating by S&P	Balance
Foreign Bank 1	S&P:A+	121,5
Domestic Bank 1	S&P:BB+	106,0
Foreign Bank 2	S&P:A	43,2
Foreign Bank 3	S&P:AA-	15,0
Foreign Bank 4	S&P:A+	4,7
Other		27,3
Total ISK bn		317,6

Main changes in Q4 2013

- Payments of ISK 98,4bn, mainly from LB Financing (ISK 53,1bn), Loans to Customers (ISK 34,7bn), Equities (ISK 5,0bn) and Loans to Financial Institutions (ISK 4,8bn).
- Decrease in cash balances by ISK 6,3bn due to FX changes.
- Income on cash (interests) was ISK 1,4bn and paid expenses ISK 1,1bn.

Statement of Assets - Loans to FI

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Other assets	113	110	3	3
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All amounts in ISKbn	Recorded Balance		Estimated Recovery		Recovery Rate %	
	30.9.2013	31.12.2013	30.9.2013	31.12.2013	30.9.2013	31.12.2013
Heritable bank	16,7	16,4	10,0	9,8	60%	60%
LI Lux	60,7	57,5	13,4	11,4	22%	20%
Project Global Exposure	16,4	17,7	1,7	6,1	10%	34%
Other	44,0	9,6	2,9	0,4	6%	4%
Total ISKbn	137,9	101,1	27,9	27,7	20%	27%

Main changes in Q4 2013

- **Heritable Bank.** Estimated recovery decreased ISK 0,2bn due to FX changes. Settlement being explored and a rational conclusion of dispute could increase recovery.
- **LI Lux.** Estimated recovery decreased by ISK 2,0bn due to payment (ISK 1,6bn) and FX changes (ISK 0,4bn). Expected cash flow is slowing down.
- **Project Global exposure.** Valuation increases Estimated recovery by ISK 5,2bn partly offset by payment of ISK 0,7bn and FX.
- **Other.** Reclassification of exposure with no estimated recovery to Loans to Customer reduced the exposure by ISK 27bn. As a result of the ruling of the Supreme Court on the claim against Straumur, and following the sale of the finally accepted claim, exposure declined by ISK 7bn and estimated recovery by ISK 2,5bn.

Statement of Assets - Loans to customers

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Other assets	113	110	3	3
Total	1.461	1.417	840	818

Portfolio	Sub portfolio	# of customers	Estimated recovery
Leverage lending	Participation	25	57,8
Vendor loan	Vendor loan	1	45,1
Senior secured	Collateral based	28	24,0
Asset backed lending	Collateral based	4	17,5
Real estate lending	Collateral based	21	15,7
Leverage lending	Origination	6	12,8
Senior unsecured	Cash flow	19	5,8
KS loans	KS loans	30	3,5
Commercial Finance	Collateral based	2	1,1
		136	183,3

LBI's loan portfolio

- Loans to customers can be split into 9 main loan portfolios.
- Leverage lending and Commercial Finance is originated from London Branch and Amsterdam Branch.
- Senior secured/unsecured, Vendor loan and Real estate lending is originated from Reykjavik/LI LUX. K/S loans are originated from LI Lux.
- Asset Backed lending is originated from Labki (Canada).
- Slides showing exposures in Reykjavik, London, Amsterdam and Canada are in the Appendix for reconciling Loans to customers against LBI's operations.

Highlights in Q4 2013

- If Cash, LB's Financing and Bonds are excluded LBI's assets still to be collected/realized in cash are of total ISK 217bn. Thereof Loans to customers is ISK 183bn or around 84%.
- Total number of customers is 213, thereof loans to 136 customers have estimated recovery value.
- Recorded balance for the 77 customers with no estimated recovery is ISK 240bn.

Changes in estimated recovery

- Decreases by ISK 3,3bn due to lower valuation.
- Increase of ISK 1,9bn due to Income.
- Decrease of ISK 6,6bn due to FX changes.
- Decrease of ISK 34,7bn due to payments.

Changes in recorded balance

- Reclassification of exposure with no estimated recovery from Loans to Financial Inst. increased the exposure by ISK 27bn.
- Final write-offs in the quarter lowered the recorded balance by ISK 8bn. This had no effect on the estimated recovery.

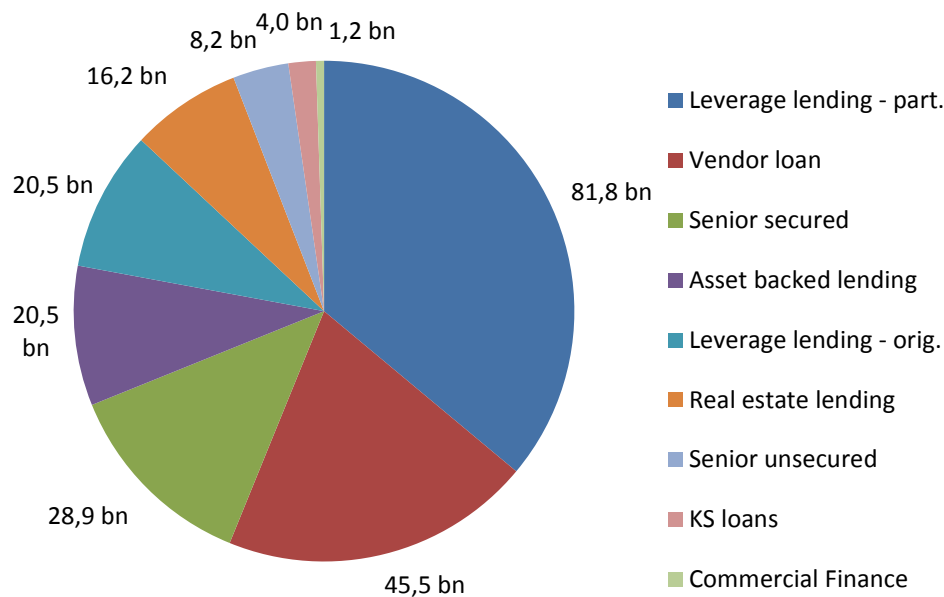
Loans to customers

Estimated recovery rates by loan portfolios

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Portfolio	Sub portfolio	# of customers	0% - 39%	40%-59%	60%-79%	80%-89%	90%-99%	100%	Total
Leverage lending	Participation	25	3,0	1,7	1,8	7,4	18,3	25,6	57,8
Vendor loan	Vendor loan	1	0,0	0,0	0,0	0,0	0,0	45,1	45,1
Senior secured	Collateral based	28	11,0	6,6	0,8	0,0	0,0	5,7	24,0
Asset backed lending	Collateral based	4	0,0	0,0	0,0	16,8	0,0	0,7	17,5
Real estate lending	Collateral based	21	1,0	10,2	0,2	3,4	0,0	0,9	15,7
Leverage lending	Origination	6	0,3	0,3	0,0	0,0	0,0	12,2	12,8
Senior unsecured	Cash flow	19	0,2	1,0	0,0	0,0	0,0	4,6	5,8
KS loans	KS loans	30	0,5	0,5	1,0	0,7	0,2	0,6	3,5
Commercial Finance	Collateral based	2	0,0	0,8	0,0	0,0	0,0	0,3	1,1
		136	16,0	21,1	3,8	28,2	18,5	95,7	183,3



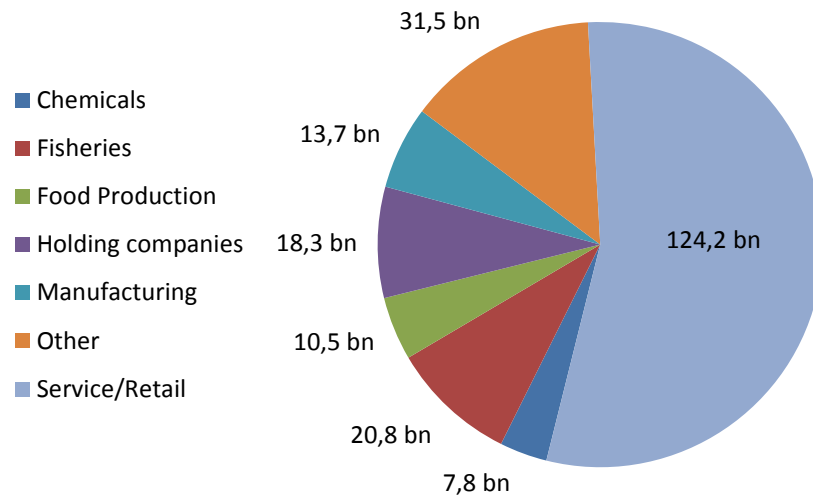
- Leverage lending of ISK 70,6bn to 31 customers is 39% of the loan book. Thereof ISK 37,8bn with 100% recovery rate.
- Estimated recovery from Senior secured lending mainly derives from underlying pledged assets.
- Asset backed lending is mainly loans to fisheries in Canada.
- Real estate lending is mainly secured by real estates in Iceland.
- K/S loans are Danish tax-structure lending transferred from LI Lux in June 2012.

Loans to Customers by Sectors

Sector	Loan Exposure		Estimated Recovery		Recovery Rate %	
	30.9.2013	31.12.2013	30.9.2013	31.12.2013	30.9.2013	31.12.2013
Chemicals	7,8	7,1	7,8	7,1	100%	100%
Fisheries	28,5	20,6	20,8	17,5	73%	85%
Food Production	14,3	14,0	10,5	10,2	73%	73%
Holding companies	152,6	183,5	18,3	22,5	12%	12%
Manufacturing	15,4	14,2	13,7	12,5	89%	88%
Other	87,1	74,3	31,5	12,8	36%	17%
Service/Retail	304,9	271,4	124,2	100,7	41%	37%
	610,7	585,2	226,7	183,3	37%	31%

- Estimated recovery from Service/retail is ISK 100,7bn or 55% of Loans to customers.
- Estimated recovery of Other is ISK 12,8bn or 7% of Loans to customers. Other is mainly Senior secured/unsecured lending and Real estate lending.
- Estimated recovery of Fisheries is ISK 17,5bn or 9,5% of Loans to customers.

Estimated recovery by sectors



Loans to customers

Geographical origin of estimated recovery

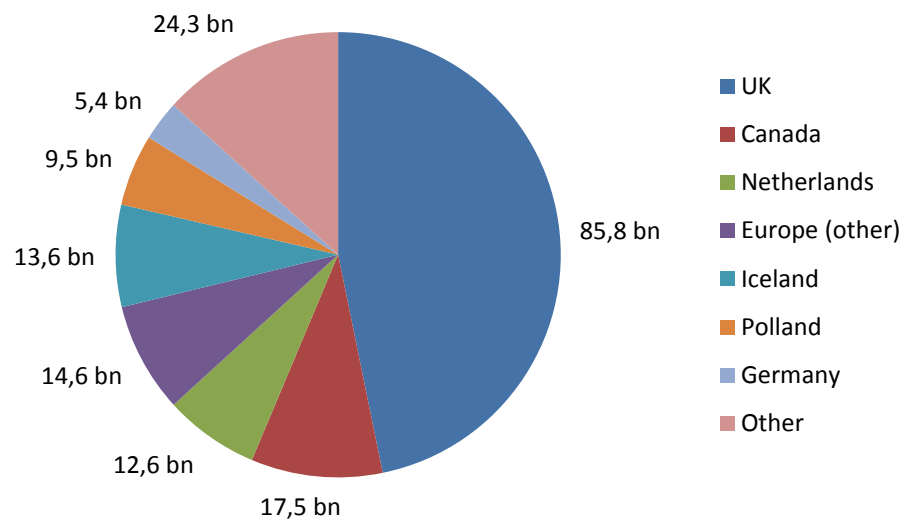
Origin of recovery	# of customers	ISK	USD	EUR	GBP	CAD	Other	Total
Canada	13		0,8	0,1		16,3	0,3	17,5
Europe	11		1,3	7,9	0,2		5,2	14,6
France	11	0,1	0,7	3,3	0,0		0,0	4,1
Germany	12		1,6	3,6	0,2		0,0	5,4
Iceland	60	9,9	0,2	3,3	0,1		0,1	13,6
Latvia	3			5,5			0,0	5,5
Netherlands	9		1,8	10,9			0,0	12,6
Other	3		0,8				1,5	2,3
Polland	2			9,5			0,0	9,5
Scandinavia	34			0,4			3,7	4,1
Spain	3		2,8	5,4			0,0	8,1
UK	30	0,1	0,1	3,4	82,1		0,0	85,8
USA	1		0,1				0,0	0,1
Total	192	10,1	10,2	53,2	82,7	16,3	10,8	183,3

Origin of recovery

- For performing customers origin of recovery is the location of their main operation.
- For non-performing customers origin of recovery is based on the location of the main underlying collateral.

Currencies

- For performing customers currency is the contractual currency/currencies.
- For non-performing customers currency is based on expected collateral realization.



Loans to customers

Cash flow by estimated recovery rates

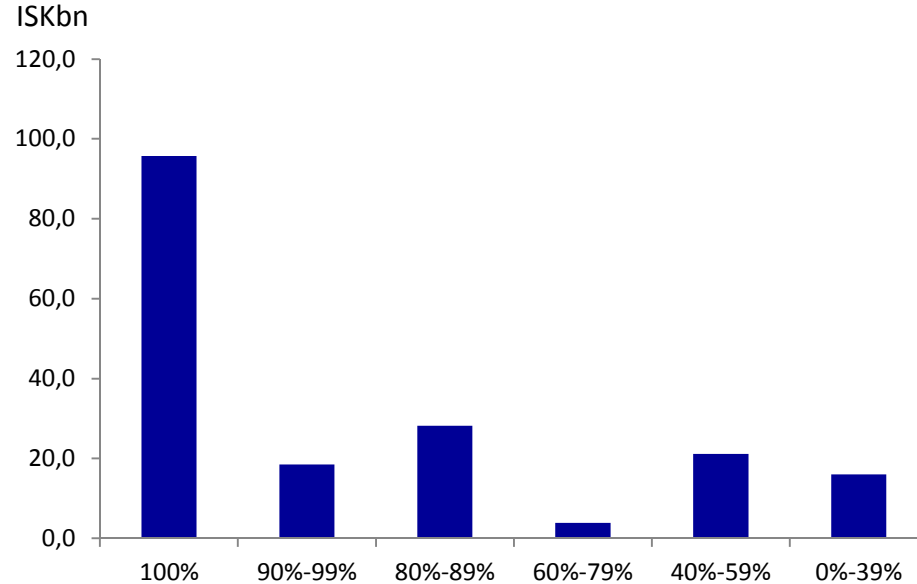
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Recovery	2014	2015	2016	2017	2018	Later	Total
100%	13,1	11,2	12,5	7,5	4,4	47,0	95,7
90%-99%	0,6	0,6	0,6	0,4	1,2	15,0	18,5
80%-89%	1,9	7,2	16,6	1,6	1,0	0,0	28,2
60%-79%	1,6	0,1	1,5	0,2	0,4	0,0	3,8
40%-59%	4,6	2,5	6,8	1,5	3,2	2,6	21,1
0%-39%	12,2	1,6	1,0	0,5	0,1	0,7	16,0
Total	33,9	23,2	38,9	11,7	10,3	65,3	183,3

- Loans with 90%-100% estimated recovery rates are ISK 114,2bn or 62% of the loan book total estimated recovery.
- Loans with 0%-59% estimated recovery rates are ISK 37,1bn or 20% of the loan book total estimated recovery.

Estimated recovery by recovery rates



Statement of Assets – Bonds and Equities

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ISKbn	Recorded balance		Estimated recovery	
	30.9.2013	31.12.2013	30.9.2013	31.12.2013
Cash	231	318	231	318
Loans to Financial Institutions	138	101	28	28
Loans to customers	611	585	227	183
Bonds and Equities	71	65	54	48
LB Financing	298	238	298	238
Other assets	113	110	3	3
Total	1.461	1.417	840	818

Bonds & Equities

All amounts in ISKbn	Recorded Balance		Estimated Recovery		Recovery Rate %	
	30.9.2013	31.12.2013	30.9.2013	31.12.2013	30.9.2013	31.12.2013
Bonds	63,0	62,0	46,9	45,9	74%	74%
Equities	7,6	2,7	6,6	2,4	87%	89%
Total ISKbn	70,7	64,7	53,6	48,3	76%	75%

Highlights in Q4 2013

Bonds

- Two exposures explain the estimated recovery (the Avens Bonds , and Landsvirkjun Bonds).
- Estimated recovery decreases by ISK 1,4bn due to FX.
- Income was ISK 0,3bn.

Equities

- Valuation of Equities increases estimated recovery by ISK 0,7bn, but due to sale estimated recovery decreases by net ISK 4,2bn.
- Two large exposures were sold in Q4, total ISK 5,0bn.

Statement of Assets – LB Financing

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ISKbn	Recorded balance		Estimated recovery	
	30.9.2013	31.12.2013	30.9.2013	31.12.2013
Cash	231	318	231	318
Loans to Financial Institutions	138	101	28	28
Loans to customers	611	585	227	183
Bonds and Equities	71	65	54	48
LB Financing	298	238	298	238
Other assets	113	110	3	3
Total	1.461	1.417	840	818

	In Currency m		ISKbn		Estimated cash flow in ISKbn					
	30.9.2013	31.12.2013	30.9.2013	31.12.2013	2014	2015	2016	2017	2018	Total
Bond A										
EUR	645,8	532,1	105,2	84,3	0,1	16,9	22,5	22,5	22,5	84,3
USD	544,6	168,0	65,5	32,0	0,0	10,3	13,8	13,8	13,8	51,6
GBP	204,1	448,6	39,7	51,6	0,0	6,4	8,5	8,5	8,5	32,0
Contingent bond A										
EUR	271,8	233,9	44,3	35,5	7,1	7,1	7,1	7,1	7,1	35,5
USD	215,1	73,1	25,9	13,9	2,8	2,8	2,8	2,8	2,8	13,9
GBP	88,7	177,2	17,3	20,4	4,1	4,1	4,1	4,1	4,1	20,4
Total ISKbn			297,9	237,7	14,1	47,5	58,7	58,7	58,7	237,7

LB Financing totalled ISK 237,7bn at 31.12.2013.

- LB's optional and partly early redemption of approx. ISK 51,6bn
- Income was ISK 2,2bn.
- Total payment in Q4 was ISK 53,1bn (Income and partly early redemption).
- Fx changes decreases LB Financing by ISK 9,2bn.

Statement of Assets – Other Assets

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ISKbn	Recorded balance		Estimated recovery	
	30.9.2013	31.12.2013	30.9.2013	31.12.2013
Cash	231	318	231	318
Loans to Financial Institutions	138	101	28	28
Loans to customers	611	585	227	183
Bonds and Equities	71	65	54	48
LB Financing	298	238	298	238
Other assets	113	110	3	3
Total	1.461	1.417	840	818

All amounts in ISKbn	Recorded Balance sheet		Estimated Recovery		Recovery Rate %	
	30.9.2013	31.12.2013	30.9.2013	31.12.2013	30.9.2013	31.12.2013
Derivatives	24,0	20,4	1,1	0,5	5%	2%
Investment in Subs.	85,7	88,4	0,0	0,0	0%	0%
Non-current assets	3,6	4,1	2,4	2,9	66%	71%
Total ISKbn	113,3	112,9	3,5	3,4	3%	3%

Highlights in Q4 2013

- Reclassification from Loans to Customers increased estimated recovery by ISK 0,3bn.
- Increased valuation of one asset by ISK 0,4bn (sold in Q1 2014).

Changes in recorded balance

- Final write-offs in the quarter lowered the recorded balance by ISK 3bn. This had no effect on the estimated recovery.



1. Estimated Recovery / Liabilities – Summary
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Total Operational Cost

ISKm	2011				2012				2013				Change
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Housing and logistics	50	58	60	42	60	33	78	42	37	57	32	41	(22%)
Payroll and benefits	524	554	522	466	493	426	417	442	440	473	362	351	(8%)
Icelandic legal cost	199	199	160	267	300	205	158	215	208	194	157	223	(11%)
Icelandic expert cost	89	56	90	46	67	61	84	67	60	70	41	22	(31%)
Non-Icelandic legal cost	200	84	382	249	71	175	165	422	290	241	136	152	(2%)
Non-Icelandic expert cost	269	263	162	134	107	362	219	251	247	149	49	153	(36%)
Other Operational costs	198	147	117	112	109	51	95	106	132	85	60	68	(4%)
SLA cost	88	88	88	88	68	68	68	62	71	61	58	58	(7%)
Breakdown by location													
Iceland	1.016	902	1.061	1.038	837	1.076	956	1.254	1.147	962	675	855	(12%)
London	469	434	439	261	304	231	263	282	259	299	157	163	(19%)
Canada	67	65	59	52	39	16	13	14	4	4	3	3	(83%)
Amsterdam	66	48	22	53	95	58	52	57	76	65	59	47	(6%)
Total ISKm	1.618	1.449	1.581	1.404	1.275	1.382	1.284	1.608	1.486	1.330	894	1.068	(14%)



- Total operational cost decreases by 14% between years.
- Icelandic expert cost decreases by 31% between years.
- Non Icelandic expert cost decreases by 36% between years.
- Other operational costs decreases by 4% between years.



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Driver of change for recorded balance sheet

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ISKm GLOBAL	Cash	Loans to FI	Loans to Cust.	Bonds	Equities	LB Financing	Derivatives	Other Assets	Total
Recorded 30.9.2013	234,4	167,3	610,7	63,0	7,6	297,9	24,0	89,3	1.494,2
Assets at risk 30.9.2013	(3,5)	(29,5)	0,0	0,0	0,0	0,0	0,0	0,0	(33,0)
Recorded after set-off 30.9.2013	230,9	137,9	610,7	63,0	7,6	297,9	24,0	89,3	1.461,3
Recorded 31.12.2013	320,9	101,1	585,2	62,0	3,4	237,7	20,4	89,9	1.420,6
Assets at risk 31.12.2013	(3,3)	0,0	0,0	0,0	0,0	0,0	0,0	0,0	(3,3)
Recorded after set-off 31.12.2013	317,6	101,1	585,2	62,0	3,4	237,7	20,4	89,9	1.417,3
Total Change	86,7	(36,7)	(25,5)	(1,1)	(4,2)	(60,1)	(3,7)	0,6	(44,0)
Payments	98,4	(4,8)	(34,7)	0,0	(5,0)	(53,1)	(0,7)	(0,0)	0,0
Claims paid from recovery	(5,7)	0,0	0,0	0,0	0,0	0,0	0,0	0,0	(5,7)
FX changes	(6,3)	(2,4)	(17,9)	(1,4)	(0,2)	(9,2)	0,0	(0,1)	(37,4)
Reclassification	0,0	(27,1)	26,6	0,0	0,3	0,0	(0,1)	0,3	(0,0)
Change in Exposure value	0,0	(2,4)	0,6	(0,0)	0,7	0,0	0,1	0,4	(0,6)
Income	1,4	0,0	7,9	0,3	0,0	2,2	0,0	0,0	11,9
Paid Expenses	(1,1)	0,0	0,0	0,0	0,0	0,0	0,0	0,0	(1,1)
Set-off	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Write-off	0,0	0,0	(8,0)	0,0	0,0	0,0	(3,0)	0,0	(11,0)
Total Change	86,7	(36,7)	(25,5)	(1,1)	(4,2)	(60,1)	(3,7)	0,6	(44,0)

Definitions :

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 (RVK only).

Operational Expenses: Paid operational expenses.

Set-off: Assets subject to netting, set off or claw-back.

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 30.9.2013	230,9	27,9	226,6	46,9	6,7	297,9	1,2	2,4	840,4
Estimated recovery 31.12.2013	317,6	27,7	183,3	45,9	2,4	237,7	0,5	2,9	818,1
Total Change	86,7	(0,2)	(43,2)	(1,0)	(4,3)	(60,1)	(0,7)	0,6	(22,3)
Payments	98,4	(4,8)	(34,7)		(5,0)	(53,1)	(0,7)	(0,0)	0,0
Claims paid from recovery	(5,7)								(5,7)
FX changes	(6,3)	(0,6)	(6,6)	(1,4)	(0,2)	(9,2)		(0,08)	(24,3)
Reclassification			(0,5)		0,2			0,3	(0,0)
Valuation		5,2	(3,3)	(0,0)	0,7		(0,0)	0,4	3,0
Income	1,4		1,9	0,3		2,2			5,8
Operational Expenses	(1,1)								(1,1)
Set-off									
Total Change	86,7	(0,2)	(43,2)	(1,0)	(4,3)	(60,1)	(0,7)	0,6	(22,3)

Main changes

- Estimated recovery decreases by ISK 22,3bn, thereof
 - Claims paid from recovery in Q4 were ISK 5,7bn.
 - FX changes decreases estimated recovery by ISK 24,3bn.
 - Valuation increased by ISK 3,0bn.
- Payments increased cash by ISK 98,4bn.

Definitions :

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.

Set-off: Assets subject to netting, set off or claw-back.



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Driver of change for recorded balance sheet

Historical overview

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ISKbn GLOBAL	Cash	Loans to FI	Loans to Cust.	Bonds	Equities	LB Financing	Derivatives	Other Assets	Total
Opening Balance Sheet 8.10.08	4,6	631,4	1.258,6	443,8	77,6	283,8	228,4	160,1	3.088,4
Correction of OBS	26,0		(227,2)	(82,2)	8,2		(73,2)	(43,6)	(391,9)
Recorded value 8.10.08	30,6	631,4	1.031,5	361,6	85,9	283,8	155,2	116,5	2.696,4
Recorded 31.12.2013	320,9	101,1	585,2	62,0	3,4	237,7	20,4	89,9	1.420,6
Assets at risk 31.12.2013	(3,3)								(3,3)
Recorded after set-off 31.12.2013	317,6	101,1	585,2	62,0	3,4	237,7	20,4	89,9	1.417,3
Total Change	287,0	(530,3)	(446,3)	(299,6)	(82,4)	(46,1)	(134,8)	(26,6)	(1.279,2)
Payments	1.028,9	(112,0)	(427,3)	(11,3)	(247,1)	(161,6)	(61,1)	(8,5)	0,0
Partial payments	(730,7)								(730,7)
Transaction cost	(3,4)								(3,4)
FX changes	4,1	53,1	73,5	(6,3)	(5,4)	11,0	(3,2)	0,0	126,8
Reclassification	(0,1)	(268,4)	135,9	89,8	40,3		(8,8)	11,3	0,0
Change in Exposure value		(6,9)	3,0	2,1	130,7	64,9	(5,2)	0,8	189,4
Income	33,8	0,0	305,5	1,7	0,1	39,6		0,2	381,0
Paid Expenses	(46,4)								(46,4)
Set-off	0,8	(168,7)		(375,7)				(16,1)	(559,8)
Write-off		(27,3)	(536,9)		(1,1)		(56,5)	(14,3)	(636,0)
Total Change	287,0	(530,3)	(446,3)	(299,6)	(82,4)	(46,1)	(134,8)	(26,6)	(1.279,2)

Definitions:

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.

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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 (RVK only).

Operational Expenses: Paid operational expenses.

Set-off: Assets subject to netting, set off or claw-back.

Loans to customers by sectors

Breakdown of the loan book by LBI's operations

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Sector	Loan Exposure		Estimated Recovery		Recovery Rate %	
	30.9.2013	31.12.2013	30.9.2013	31.12.2013	30.9.2013	31.12.2013
Reykjavík						
Holding companies	152,6	183,5	18,3	22,5	12%	12%
Service/Retail	204,2	187,9	56,4	50,3	28%	27%
Food Production	14,3	14,0	10,5	10,2	73%	73%
Financial Institutions	4,9	4,2	1,5	0,8	31%	20%
Other	60,5	54,1	15,3	9,5	25%	18%
Total ISKbn	436,5	443,7	102,0	93,3	23%	21%
London						
Chemicals	5,8	5,1	5,8	5,1	100%	100%
Manufacturing & Printing	8,7	7,6	6,9	5,9	80%	78%
Retail	40,1	26,8	26,6	13,8	66%	51%
Services	45,7	42,0	37,5	33,2	82%	79%
Other	21,1	12,6	12,6	1,9	59%	15%
Total ISKbn	121,4	94,2	89,4	59,9	74%	64%
Amsterdam						
Chemicals	2,1	1,9	2,1	1,9	100%	100%
Manufacturing & Machinery	7,0	6,6	7,0	6,6	100%	100%
Printing & Publishing	4,0	3,5	2,3	0,6	56%	17%
Retail	1,7	1,7	0,6	0,6	37%	37%
Services	13,2	12,9	3,0	2,9	23%	22%
Total ISKbn	27,9	26,7	14,9	12,6	53%	47%
Canada						
Chemicals					0%	0%
Fisheries	24,8	20,6	20,4	17,5	82%	85%
Construction	0,0		0,0		100%	0%
Total ISKbn	24,9	20,6	20,5	17,5	82%	85%

FX rates

FX rates

	30.9.2013	31.12.2013	Change
EUR	162,85	158,5	(2,7%)
GBP	194,75	190,3	(2,3%)
USD	120,32	115,11	(4,3%)
CAD	116,9	108,24	(7,4%)