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Financial information at 30.6.2014

# Disclaimer

LBI

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IN WINDING-UP PROCEEDINGS

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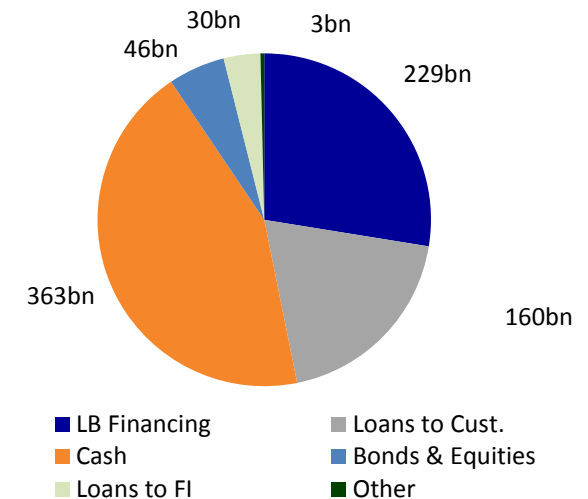
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# Estimated Remaining Recovery - end of Q2 2014

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ISKbn	Estimated recovery		Changes in Quarter		
	31.3.2014	30.6.2014	FX change	Actual	% change
Cash	332,6	362,9	1,7	28,7	9%
Loans to Financial Inst.	26,0	29,6	0,0	3,6	14%
Loans to Customers	171,3	159,9	1,9	(13,3)	(8%)
Bonds	42,1	42,1	(0,3)	0,3	1%
Equities	2,0	3,5	0,0	1,5	75%
LB Financing	231,9	228,7	0,2	(3,4)	(1%)
Derivatives	0,5	0,5	0,0	0,0	0%
Non current assets	2,8	2,6	0,0	(0,2)	(7%)
<b>Total assets</b>	<b>809,0</b>	<b>829,7</b>	<b>3,5</b>	<b>17,2</b>	<b>2%</b>



## Highlights in Q2 2014

- **Estimated recovery increased by ISK 20,7bn,**
  - FX changes increased estimated recovery by ISK 3,5bn.
  - Net Income (Income – Operational expenses) is ISK 2,9bn.
  - Actual valuation changes increased estimated recovery by ISK 17,2bn.
- **Actual increase of Cash was ISK 28,7bn**
  - Payments from Loans to Customers was ISK 24,4bn
  - Payments from LB Financing was ISK 5,3bn.
  - Payments from Loans to financial institutions was ISK 0,5bn
  - Operational expenses was ISK 1,2 bn.
- **Actual estimated recovery increased by ISK 17,2bn.**
  - Actual estimated recovery of Loans to Financial Inst. increased by net ISK 3,6bn, mainly due to increased value of Project Global exposure.
  - Actual estimated recovery of Loans to customers decreased by net ISK 13,3bn, mainly due to repayments of ISK 24,4bn which was partly offset by increased value of ISK 9,4bn.
  - Actual estimated recovery of Equities increased by ISK.
  - Actual estimated recovery of LB Financing decreased by ISK 3,4bn, mainly due to repayments which was partly offset by Income.

# Estimated Remaining Global Recovery - Estimated recovery and Partial payments

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## Estimated recovery

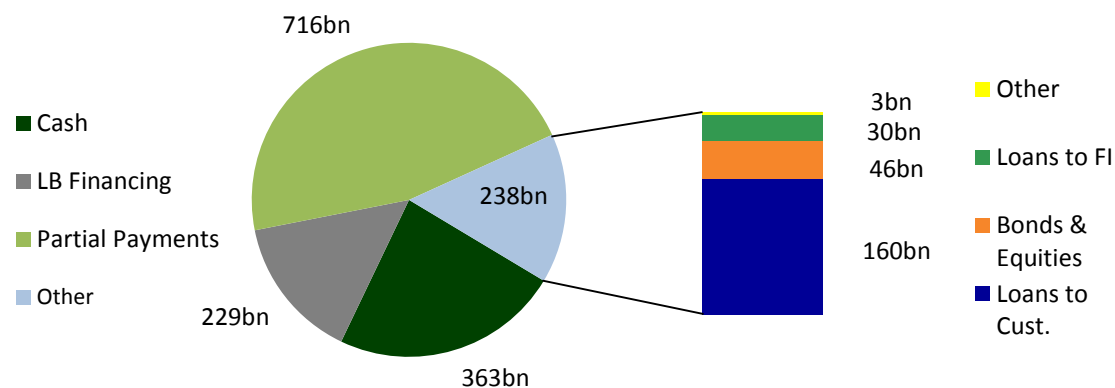
## FX at each reporting date

ISKbn	30.6.2012	30.9.2012	31.12.2012	31.3.2013	30.6.2013	30.9.2013	31.12.2013	31.3.2014	30.6.2014
Cash	192,7	227,3	194,2	255,5	272,1	230,9	317,6	332,6	362,9
Loans to Financial Inst.	33,4	34,9	59,1	31,5	29,3	27,9	27,7	26,0	29,6
Loans to Customers	272,4	268,5	258,3	219,1	224,4	226,7	183,3	171,3	159,9
Bonds	53,7	54,0	54,3	48,5	49,5	46,9	45,9	42,1	42,1
Equities	40,3	27,7	19,6	7,4	7,2	6,6	2,4	2,0	3,5
LB Financing	303,7	305,8	315,5	293,6	297,2	297,9	237,7	231,9	228,7
Derivatives	1,8	1,6	1,6	1,2	1,1	1,1	0,5	0,5	0,5
Investment in Subsidiaries	0,9	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Non current assets	3,8	3,6	3,1	2,7	2,6	2,4	2,9	2,8	2,6
<b>Total remaining assets</b>	<b>902,8</b>	<b>923,6</b>	<b>905,9</b>	<b>859,4</b>	<b>883,4</b>	<b>840,4</b>	<b>818,1</b>	<b>809,0</b>	<b>829,7</b>
Part. payments incl. escrow repayments *	<b>568,5</b>	<b>568,5</b>	<b>648,0</b>	<b>648,0</b>	<b>648,0</b>	<b>715,3</b>	<b>715,9</b>	<b>715,9</b>	<b>715,9</b>
<b>Total assets including partial payments</b>	<b>1.471,2</b>	<b>1.492,1</b>	<b>1.553,9</b>	<b>1.507,4</b>	<b>1.531,4</b>	<b>1.555,7</b>	<b>1.534,0</b>	<b>1.525,0</b>	<b>1.545,6</b>

## Partial payments to priority creditors

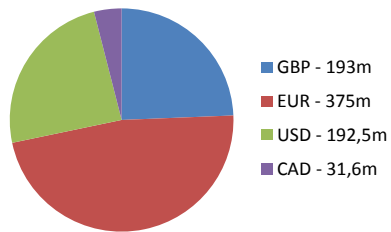
- At the end of Q2 2014 four Partial payments of net total ISK 715,9bn have been made towards priority claims (Art.112), thereof now ISK 0,8bn into escrow accounts.

## Estimated recovery 30.6.2014

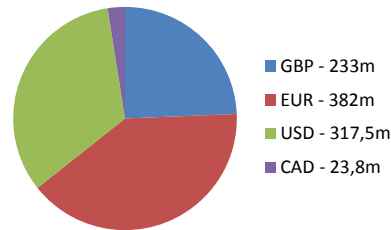


# LBI's outstanding exemption requests

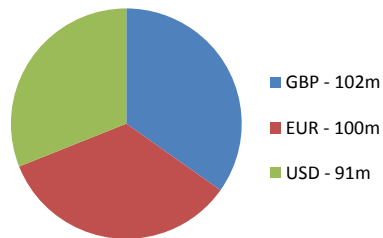
May/June 2013 exemption request



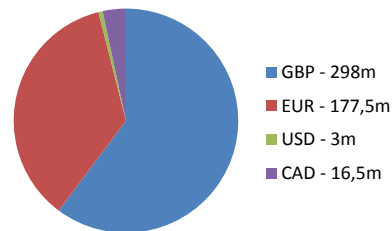
February 2014 exemption request



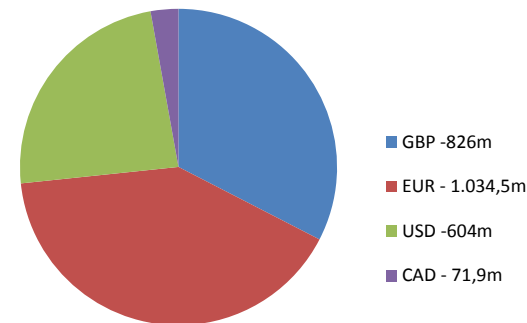
June 2014 exemption request



September 2014 exemption request



Total exemption requests



## LBI's currently four outstanding exemption requests:

- CBI is currently reviewing LBI's four 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.
  - **June 2014** requesting: GBP 102m, EUR 100m and USD 91m.
  - **September 2014** requesting: GBP 298m, EUR 177,5m, USD 3m and CAD 16,5m.

**Total requested amounts:** GBP 826m, EUR 1.034m, USD 604m and CAD 71,9m.

- Using FX rates at 1 September 2014 LBI's outstanding exemption requests are of total ISK 399,2bn.

# Statement of Liabilities

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Claim Priority - Liability type (bn ISK)	Accepted Amounts	Final*	Settled by other means	Paid from recoveries	Escrow allocations	Liabilities 30/06/2014
<b>109 - Proprietary Claims</b>	<b>5,6</b>	<b>100%</b>	<b>4,8</b>	<b>0,7</b>	-	-
<b>110 - Administrative Claims (Third paragr.)</b>	<b>14,3</b>	<b>100%</b>	<b>0,9</b>	<b>13,3</b>	-	-
<b>111 - Secured Claims</b>						
Deposit - Retail	6,3	100%	6,3	-	-	-
Loans from Financial Institutions	48,9	100%	48,9	-	-	-
Other borrowings	2,8	100%	2,8	-	-	-
<b>Total Secured Claims</b>	<b>58,0</b>	<b>100%</b>	<b>58,0</b>	-	-	-
<b>112 - Priority Claims</b>						
Deposit - Retail	1.167,0	100,00%	-	628,3	0,7	538,0
Deposit - Wholesale	145,4	100,00%	-	78,1	-	67,4
Loans from Financial Institutions	14,2	100,00%	-	7,6	0,0	6,6
Loans from Financial.Inst.- Rejected	-	-	-	-	-	-
Other liabilities	0,9	100,00%	-	0,5	0,0	0,4
(Claims settled by lump sum payment)	0,7	100,00%	-	0,7	-	-
<b>Total Priority Claims</b>	<b>1.328,2</b>	<b>100,00%</b>	-	<b>715,1</b>	<b>0,8</b>	<b>612,3</b>
<b>113 - General Claims</b>						
Deposit - Retail	0,2	94,61%	-	-	-	0,2
Deposit - Wholesale	10,4	100,00%	-	-	-	10,4
Derivatives	203,0	99,99%	-	-	-	203,0
Loans from Financial Institutions	49,3	100,00%	-	-	-	49,3
Other borrowings	179,5	94,70%	-	-	-	179,5
Other liabilities	9,8	98,94%	-	-	-	9,8
Securities Issued	1.231,6	93,00%	22,3	-	-	1.209,3
<b>Total General Claims</b>	<b>1.683,9</b>	<b>94,31%</b>	<b>22,3</b>	-	-	<b>1.661,6</b>
<b>Grand Total</b>	<b>3.089,9</b>	<b>96,90%</b>	<b>86,0</b>	<b>729,1</b>	<b>0,8</b>	<b>2.273,9</b>

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 22<sup>nd</sup> of April 2009.

- 100% of claims accepted under Article 109 - 112 are finally accepted. Liabilities ISK 0,7bn under Art. 109 is now reported as paid from recoveries.
- 94,31% of accepted general unsecure claims under Art. 113 are now finally accepted.
- 96,9% of all accepted claims are now finally accepted.
- Allocations on escrow accounts is ISK 0,8bn.

\* Percentage of accepted amounts that has been finally accepted

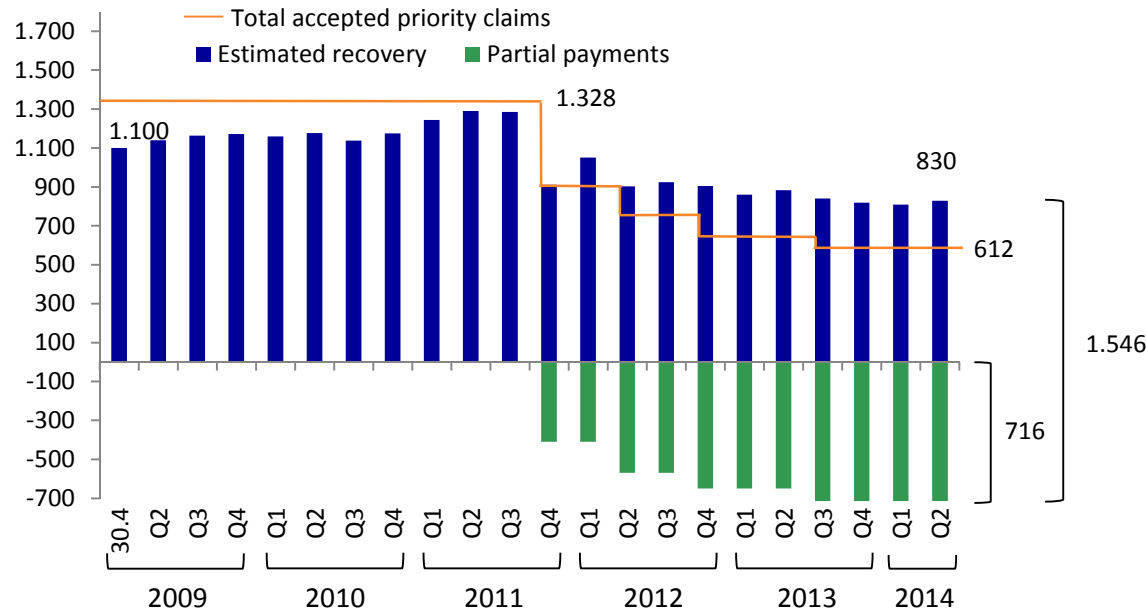
\*\* Securities Issued is lowered by 22.3 bn due to payments by set-off

\*\*\* Set-off against Landsvaki hf. was rejected so claim 1177 was fully settled in cash

# Historical development

## Estimated recovery, Partial payments and Priority claims

### 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 446bn** (from ISK 1.100bn to ISK 1.546bn).
  - On 30.6.2014 the estimated recovery was ISK 218bn higher than finally accepted priority claims (Art. 112).
- **Priority claims of ISK 1.328bn** have reduced by four partial payments **down to ISK 612bn**.
- **Four large partial payments of net ISK 715,9bn** have been made:
  - 1<sup>st</sup> made in December 2011 of ISK 410bn
  - 2<sup>nd</sup> made in May 2012 of ISK 172,3bn
  - 3<sup>rd</sup> made in October 2012 of ISK 80bn
  - 4<sup>th</sup> made in September 2013 of ISK 67,2bn
  - Escrow repayments to LBI of ISK 13,6bn

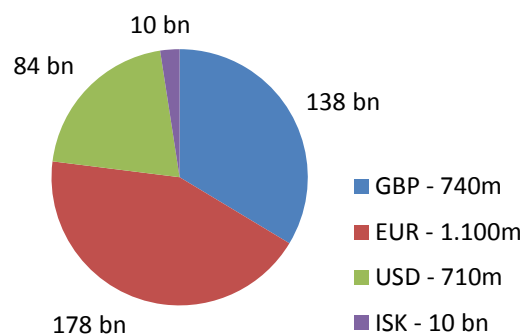
### Development of estimated recovery between periods.

- Estimated recovery increased between periods by ISK 20,7bn.
  - At end of Q2 2014 estimated recovery was ISK 218bn higher than finally accepted Priority claims (Art. 112).
  - Finally accepted Proprietary claims (Art. 109), Administrative claims (Art. 110) and Secured claims (Art. 111) would reduce the above estimated recovery.
- **If partial payments of ISK 716bn are included total estimated recovery is ISK 1.546bn. Total amount of finally accepted claims is ISK 3.003,9bn. Using these numbers total estimated recovery against finally accepted claims is 51%.**

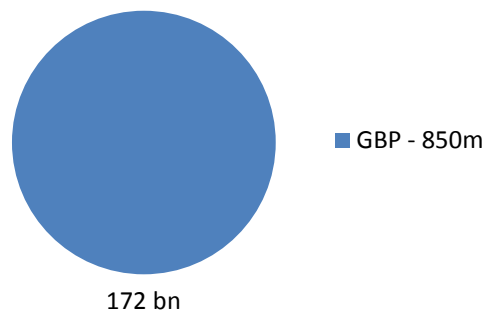
# Four large Partial payments to priority creditors

(Art. 112)

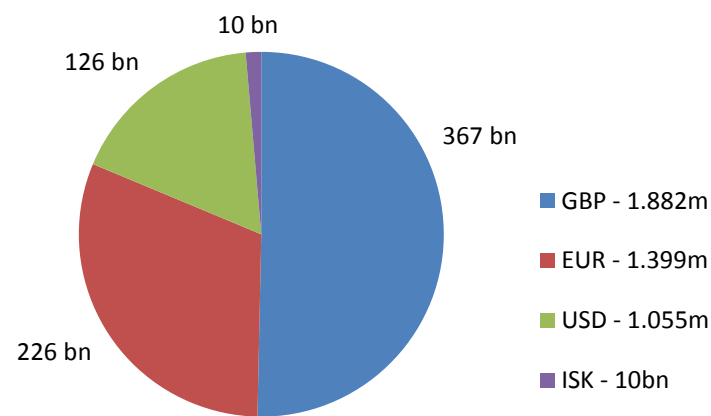
**First Partial payments - ISK 409,9bn**



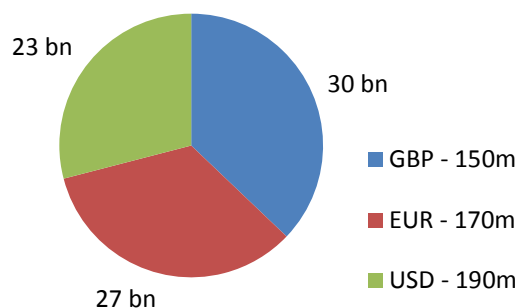
**Second Partial payments - ISK 172,3bn**



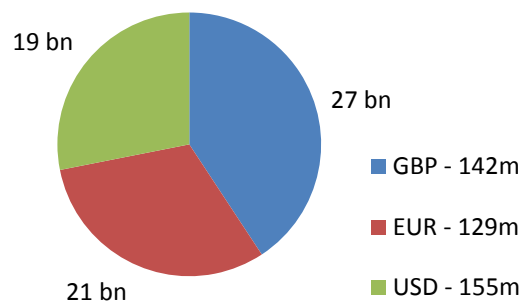
**Total Partial payments - ISK 729,4bn.**



**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 0,8bn 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	
	31.3.14	30.6.14	31.3.14	30.6.14	31.3.14	30.6.14	31.3.14	30.6.14	31.3.14	30.6.14	31.3.14	30.6.14
Cash	29	29	66	74	130	140	94	102	14	18	333	363
Loans to FI	0	0	1	1	15	18	10	10	0	0	26	30
Loans to Customers	10	10	8	2	50	48	76	77	26	23	171	160
Bonds	0	0	7	7	35	35	0	0	0	0	42	42
Equities	2	1	0	0	0	1	0	2	0	0	2	3
Derivatives	0	0	0	0	0	0	0	0	0	0	0	0
Other assets	1	1	2	2	0	0	0	0	0	0	3	3
<b>Total excl. LB Fin.</b>	<b>42</b>	<b>42</b>	<b>84</b>	<b>86</b>	<b>230</b>	<b>242</b>	<b>180</b>	<b>191</b>	<b>40</b>	<b>39</b>	<b>577</b>	<b>601</b>
LB A Bond	0	0	51	51	83	83	32	33	0	0	166	166
LB Contin. Bond	0	0	19	18	33	31	13	13	0	0	66	62
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
<b>Total assets</b>	<b>42</b>	<b>42</b>	<b>154</b>	<b>155</b>	<b>347</b>	<b>356</b>	<b>225</b>	<b>236</b>	<b>40</b>	<b>39</b>	<b>809</b>	<b>830</b>

- **Changes in estimated recovery by currencies are mainly explained by increased estimated recovery:**
  - Cash in ISK is unchanged ISK 42bn and is now 5% of total estimated recovery.
  - USD increases by ISK 1bn and is now 18,7% of total estimated recovery.
  - EUR increases by ISK 9bn due to increased estimated recovery and is now 42,9% of total estimated recovery.
  - GBP increases by ISK 11bn due to increased estimated recovery and is now 28,4% 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	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Later	Total
ISK	29	3	3	0	0	3	0	0	0	0	0	0	0	0	2	42
USD	74	4	15	20	18	25	0	0	0	0	0	0	0	0	0	155
EUR	140	33	37	44	42	33	4	4	4	4	4	4	1	0	0	356
GBP	102	78	11	15	12	15	4	0	0	0	0	0	0	0	0	237
CAD and other	18	2	4	16	1	0	1	0	0	0	0	0	0	0	0	41
<b>Total assets</b>	<b>363</b>	<b>120</b>	<b>70</b>	<b>94</b>	<b>72</b>	<b>76</b>	<b>9</b>	<b>5</b>	<b>5</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>2</b>	<b>0</b>	<b>2</b>	<b>830</b>

### Estimated cash flow by asset category

Estimated Recovery (ISKbn)	Cash	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Later	Total
Cash	363															363
Loans to Financial Inst.		11	5	4	2	1	1	1	1	1	1	1			0	30
Loans to Customers		96	12	27	10	7	5	0	0	0	0	0	0	0	2	160
Bonds		3	4	3	3	10	3	3	3	3	3	3	1		0	42
Equities		1	1	1												3
LB Financing		9	47	58	58	58										229
Derivatives		0														0
Investment in Subsidiaries																0
Non current assets		1	0	2												3
<b>Total assets</b>	<b>363</b>	<b>120</b>	<b>70</b>	<b>94</b>	<b>72</b>	<b>76</b>	<b>9</b>	<b>5</b>	<b>5</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>2</b>	<b>0</b>	<b>2</b>	<b>830</b>

- Based on current estimated cash flow and current position of finally accepted priority claims the remainder of priority claims (Art. 112) is expected to be fully covered by cash collected in 2016.
- However note that expected cash flow from LB Financing (the Bonds) is reported under current terms, with payments in 2014-2018 of total ISK 229bn.
- Under LBI's and LB's still conditioned revised terms of the Bonds LB's payments in 2014-2018 would be ISK 106bn.
- If the revised terms of the Bonds would be executed, not considering Cost and finally accepted Proprietary claims according to Art. 109-111, remainder of priority claims (Art. 112) would be fully covered by cash collected in 2017.

# Total Operational Cost

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ISKm	2012				2013				2014		Change QoQ
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	
Housing and logistics	60	33	78	42	37	41	32	41	36	36	(2%)
Payroll and benefits	493	426	417	442	440	474	362	356	498	316	(37%)
Icelandic legal cost	300	205	158	215	208	194	157	223	181	210	16%
Icelandic expert cost	102	61	84	95	87	70	41	25	45	49	9%
Non-Icelandic legal cost	71	175	165	422	290	241	136	160	258	482	87%
Non-Icelandic expert cost	107	362	219	251	247	149	49	154	197	37	(81%)
Other Operational costs	74	51	95	78	106	85	60	80	100	121	21%
SLA cost	68	68	68	62	71	61	58	57	57	0	(100%)
<b>Breakdown by location</b>											
Iceland	837	1.076	956	1.254	1.147	962	675	875	1.018	1.011	(1%)
London	304	231	263	282	259	284	157	163	301	187	(38%)
Canada	39	16	13	14	4	4	3	3	2	0	(100%)
Amsterdam	95	58	52	57	76	65	59	54	51	52	2%
<b>Total ISKm</b>	<b>1.275</b>	<b>1.382</b>	<b>1.284</b>	<b>1.608</b>	<b>1.486</b>	<b>1.315</b>	<b>894</b>	<b>1.095</b>	<b>1.372</b>	<b>1.251</b>	<b>(9%)</b>

Total operational cost decreases between quarters by 9%, thereof, payroll and benefits by 37%, and non Icelandic legal cost increases by 81%. Non Icelandic expert cost increases by 81% between quarters and Other operational costs increases by 21% between quarters.

- **As LBI's asset portfolios beside cash have been gradually declining so has LBI's operations.**
- LBI closed its office in Halifax in 2011/2012. To secure prudent and professional management of remaining assets LBI agreed SLA with former employees of LBI in Canada to co-manage these assets with LBI office in Reykjavik. Remaining asset of any significance now is #4 on the 20-largest list, assets back lending to fisheries company (exit expected in 2016).
- LBI's office in Amsterdam will be closed before year end 2014. Reykjavik office will manage the few remaining assets.
- LBI's office in London has gradually been lowering its cost by reducing number of employees and housing cost. LBI aims to reduce its operations in London office further in 2014-2015.
- LBI's office in Reykjavik has gradually been lowering its cost by reducing number of employees. For operational reasons, due to lower base cost and as this cost can then be paid in ISK all LBI's main back-office functions will at year end 2014 be based in LBI's Reykjavik office.
- Foreign expert cost is mainly related to legal proceedings abroad.

# FX rates

## FX rates

	31.3.2014	30.6.2014	Change
EUR	155,84	154,5	(0,9%)
GBP	188,02	192,59	2,4%
USD	112,97	113,13	0,1%
CAD	102,27	105,97	3,6%