

Activities and Current Situation of Landsbanki Íslands hf.

- The Resolution Committee of Landsbanki Íslands hf. has updated its assessment, presented in February this year, of the bank's assets as of the end of April 2009. According to the revised breakdown of the valuation, which was performed independently by the bank's experts, an estimated ISK 1,100 billion can be obtained for its assets to pay claims against the bank. Assuming that deposit claims in the UK and the Netherlands, are preferential claims, this would mean that around 83% of preferential claims will be covered, based on the position as of 30 April this year.
- The valuation also assumes that none of Landsbanki's assets will be disposed of for a residual value and that loans in its portfolio, which comprise by far the greatest share of the bank's assets, will be held to maturity, wherever the payment capacity of the debtor/payer and collateral provided is sufficient. Special attention is drawn to the fact that the final value of the bank's assets is subject to high uncertainty, in part due to the unpredictability of economic developments, both domestically and abroad, which may affect the future value of the underlying assets.
- The total value of the assets of Landsbanki Íslands hf. as of 30 April 2009 is assessed at ISK 816 billion. To this will be added an additional payment of ISK 284 billion from NBI hf. in return for the assets transferred to NBI hf. at the beginning of October 2008. This amount is subject to high uncertainty as negotiations are currently underway on the amount and arrangements for this payment are not yet concluded. Attention is also drawn to the fact that all figures are provisional due to high exchange rate volatility, especially with regard to the exchange rate of the ISK against leading foreign currencies.
- Bearing all of these factors of uncertainty in mind, it is the conclusion of Landsbanki Íslands hf. that the value of all of the bank's assets, as of the end of April 2009, amounts to ISK 1,100 billion. This valuation is under continuous review and can be expected to change.
- The following slides provide an account of the activities and current situation of Landsbanki Íslands hf. The valuation, updated as frequently as possible, will henceforth be published on the website www.lbi.is

Establishments of Landsbanki Íslands hf.

- **Iceland**

The headquarters of Landsbanki Íslands hf. are in Iceland and generally speaking its operations include 12 operating units:

Derivatives, Risk Management, Credit Back Office, Finance, Treasury, Corporate Banking, Legal Collections/Appropriated Assets, Legal Advisory, Creditor Relations, Media Relations, Secretariat, Winding-up Procedures.

The staff at headquarters, who are currently 54 in number, handle administration of all the bank's domestic assets, various groupwide tasks and the bank's winding-up procedures. In addition to the above-mentioned personnel, there is the Resolution Committee of five members and the three-person Winding-up Board. This makes a total of 62 employees of the bank located in Iceland.

The bank's loan portfolio and claims against NBI hf. due to assets transferred comprise the major portion of its domestic assets. According to a decision by the Financial Supervisory Authority of 9 October 2008, the loan portfolio in Iceland is at high risk of loss. The estimated recovery rate of these loans is just under 23%.

NBI hf. provides Landsbanki Íslands hf. various services pursuant to an agreement, such as operation of computer systems etc. However, Landsbanki Íslands hf. aims to be self-sufficient with regard to most aspects of day-to-day operations. Landsbanki Íslands hf. has made every effort to engage the services of capable personnel with experience of the tasks being carried out. The bank has also, as necessary, hired domestic and foreign consultants including legal and auditing offices and financial advisors, to handle other specialised tasks.

Establishments of Landsbanki Íslands hf.

- **UK**

London Branch is the largest and most important foreign establishment of Landsbanki Íslands hf. Loan portfolios of various types comprise the majority of the branch's assets. They are of two main types:

- 1) Leveraged lending, which are the riskiest loans in the branch's portfolio, with an estimated recovery rate of 67%, including
 - a) participations, where other banks are lead arrangers and book runners, and
 - b) originations, where Landsbanki Íslands hf. is lead arranger and book runner.
- 2) Commercial finance, where the estimated recovery rate is around 97%, consists of:
 - a) asset-backed lending, to corporate clients secured with specific charges on inventories and receivables, and
 - b) Trade finance, loans to corporates secured by specific charges in raw material stocks and trade receivables.

The bank's securities portfolios, of bonds and equities, are for the most part recognised on the balance sheet of London branch. Most issuers of these securities are foreign companies and many are listed on markets abroad.

In addition to the departments administering the above assets, London branch has Back Office, Finance, Risk Management and IT departments.

Branch personnel, almost all of them foreign nationals with extensive experience of banking activities, now number 75 persons.

Establishments of Landsbanki Íslands hf.

- **The Netherlands**

The principal assets of Amsterdam Branch are participations in leveraged lending. The estimated recovery rate on the portfolio is around 87%. Branch personnel, all of them foreign nationals with extensive experience of banking activities, are now three in number.

- **Canada**

At the beginning of 2009, the subsidiary Labki Finance Ltd. was established and all the assets and activities of Halifax Branch were transferred to it. Labki's assets are primarily loans to clients in fisheries and related sectors. The estimated recovery rate on the portfolio is around 95%. The branch's employees, all of whom have extensive experience of banking and activities connected to clients' business sectors, currently are six in number.

Value of assets and deposit claims by establishment

ISKbn	Iceland	UK	Netherlands	Canada	Total
Claims on credit institutions (incl. deposits)	53	57	10	6	126
Loans to customers	173	244	85	30	533
Market bonds and equities	52	24	0	0	76
Derivatives	35	0	0	0	35
Holdings in subsidiaries and affiliates	14	0	0	0	14
Other assets	22	4	1	5	32
Total assets excl. payment from NBI hf.	349	330	96	41	816
Payment from NBI hf.	284				284
Total assets	633	330	96	41	1,100
Claims due to customers' deposits	0	1,001	329		1,330
Total claims due to customers' deposits	0	1,001	329		1,330

•The estimated amount of payment to be received from NBI hf. for assets transferred, ISK 284 billion, is subject to high uncertainty both concerning the amount and form of payment, and could change materially from the figure given in the summary of assets.

•The estimated value of assets is subject to major uncertainty, for instance, due to unforeseeable economic developments, both domestically and abroad, which could affect the future value of the underlying assets.