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Financial information at 31.3.2014

# Disclaimer

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IN WINDING-UP PROCEEDINGS

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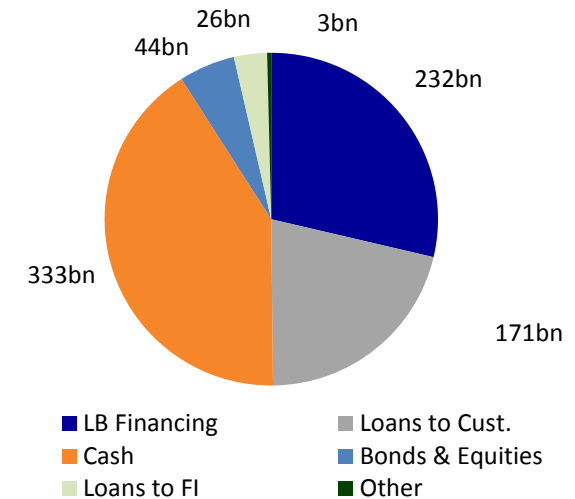
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# Estimated Remaining Recovery - end of Q1 2014

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ISKbn	Estimated recovery		Changes in Quarter		
	31.12.2013	31.3.2014	FX change	Actual	% change
Cash	317,6	332,6	(5,1)	20,0	6%
Loans to Financial Inst.	27,7	26,0	(0,4)	(1,3)	(5%)
Loans to Customers	183,3	171,3	(3,2)	(8,9)	(5%)
Bonds	45,9	42,1	(0,8)	(3,0)	(7%)
Equities	2,4	2,0	(0,0)	(0,4)	(16%)
LB Financing	237,7	231,9	(3,9)	(1,9)	(1%)
Derivatives	0,5	0,5	0,0	0,0	0%
Non current assets	2,9	2,8	(0,0)	(0,1)	(4%)
<b>Total assets</b>	<b>818,1</b>	<b>809,0</b>	<b>(13,4)</b>	<b>4,4</b>	<b>1%</b>



## Highlights in Q1 2014

- **FX changes decreased estimated recovery by ISK 13,4bn,**
  - Thereof Cash by ISK 5,1bn, LB financing by ISK 3,9bn and Loans to customers by ISK 3,2bn.
  - Net Income (Income–Cost) increased estimated recovery by ISK 3,5bn.
- **Actual increase of Cash ISK 20,0bn**
  - Payments from Loans to Customers increased Cash by ISK 17,0bn
  - Cash increases by ISK 3,4bn due to scheduled repayment of Bonds, thereof ISK 2,9bn from Avens replacement bonds.
  - Cash decreased by net ISK 5,1bn because of claims paid by recovery. This was mainly due to ISK payments of two claims ranking under Art. 110 , to Íbúðalánasjóður (HHF) ISK 3,5bn and to Landsbankinn ISK 2,3bn, partly offset by repayments from escrow accounts.
- **Actual estimated recovery is stable, increased by net ISK 4,4bn.**
  - Actual estimated recovery of Loans to Financial Inst. decreased by net ISK 1,3bn, mainly due to repayment from Project Global exposures.
  - Actual estimated recovery of Loans to customers decreased by net ISK 8,9bn, mainly due to repayments of ISK 17,0bn, partly offset by increased estimated recovery of ISK 5,8bn and Income of ISK 2,4bn.
  - Actual estimated recovery of Bonds decreased by ISK 3,0bn, mainly due to repayments.
  - Actual estimated recovery of Equities decreased by net ISK 0,4bn, due to disposal and a lower valuation of another stake.
  - Actual estimated recovery of LB Financing decreased by ISK 1,9bn, due to repayments under current terms, partly offset by Income.
  - Actual estimated recovery of Derivatives is unchanged.
  - Actual estimated recovery of Non current assets decreased by ISK 0,1bn due to a sale of domestic real estate.

# Estimated Remaining Global Recovery - Estimated recovery and Partial payments

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## Estimated recovery

## FX at each reporting date

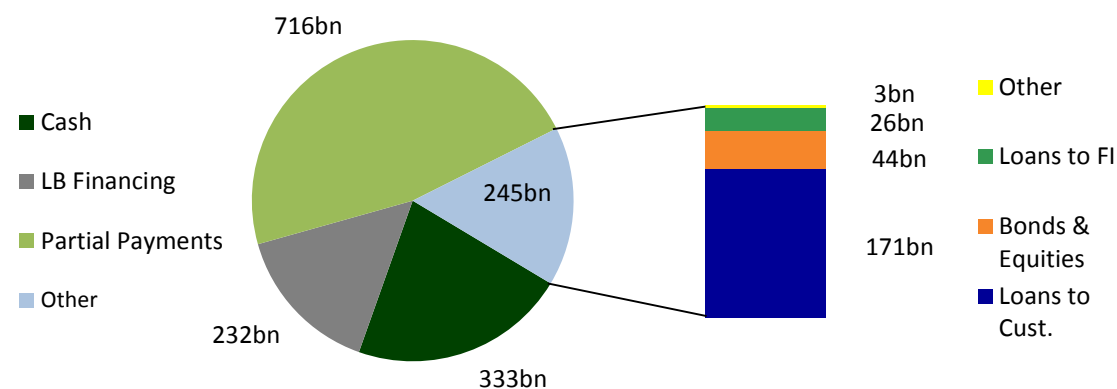
ISKbn	31.3.2012	30.6.2012	30.9.2012	31.12.2012	31.3.2013	30.6.2013	30.9.2013	31.12.2013	31.3.2014
Cash	294,4	192,7	227,3	194,2	255,5	272,1	230,9	317,6	332,6
Loans to Financial Inst.	79,7	33,4	34,9	59,1	31,5	29,3	27,9	27,7	25,9
Loans to Customers	220,6	272,4	268,5	258,3	219,1	224,4	226,7	183,3	171,3
Bonds	27,0	53,7	54,0	54,3	48,5	49,5	46,9	45,9	42,1
Equities	22,7	40,3	27,7	19,6	7,4	7,2	6,6	2,4	2,0
LB Financing	376,8	303,7	305,8	315,5	293,6	297,2	297,9	237,7	231,9
Derivatives	1,9	1,8	1,6	1,6	1,2	1,1	1,1	0,5	0,5
Investment in Subsidiaries	1,0	0,9	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Non current assets	3,8	3,8	3,6	3,1	2,7	2,6	2,4	2,9	2,8
<b>Total remaining assets</b>	<b>1.027,9</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>
Part. payments incl. escrow repayments *	409,9	568,5	568,5	648,0	648,0	648,0	715,3	715,9	715,9
<b>Total assets including partial payments</b>	<b>1.437,8</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>1.524,9</b>

## Partial payments to priority creditors

- At the end of Q1 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.
- 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 March 2014 LBI's outstanding exemption requests are of total ISK 261bn.

\* 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 31.3.2014



# 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 31/03/2014
<b>109 - Proprietary Claims</b>	<b>5,6</b>	<b>100%</b>	<b>4,8</b>	<b>0,0</b>	-	<b>0,7</b>
<b>110 - Administrative Claims (paragraph 3)</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	94,60%	-	-	-	0,2
Deposit - Wholesale	10,4	80,91%	-	-	-	10,4
Derivatives	202,8	99,99%	-	-	-	202,8
Loans from Financial Institutions	49,3	100,00%	-	-	-	49,3
Other borrowings	176,8	65,39%	-	-	-	176,8
Other liabilities	9,6	93,82%	-	-	-	9,6
Securities Issued	1.231,6	85,18%	22,3	-	-	1.209,3
<b>Total General Claims</b>	<b>1.680,7</b>	<b>85,35%</b>	<b>22,3</b>	-	-	<b>1.658,4</b>
<b>Grand Total</b>	<b>3.086,7</b>	<b>91,89%</b>	<b>86,0</b>	<b>728,4</b>	<b>0,8</b>	<b>2.271,5</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.
- 85% of accepted general unsecure claims under Art. 113 are now finally accepted.
- 92% of all accepted claims are now finally accepted.
- Allocations on escrow accounts decreased in the period from ISK 3,0bn to 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

# Statement of Liabilities – Rejected breakdown

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Claim Priority - Liability type	Lodged claims	Changed priority	Agreed Final	Agreed Disputed	Decision Postponed	Rejected Final	Rejected Disputed
<b>109 - Proprietary Claims</b>	<b>84,1</b>	<b>(23,4)</b>	<b>5,6</b>	<b>5,6</b>		<b>5,8</b>	<b>49,4</b>
<b>110 - Administrative Claims (paragraph 3)</b>	<b>50,8</b>	<b>6,3</b>	<b>14,3</b>			<b>40,6</b>	<b>2,2</b>
<b>111 - Secured Claims</b>							
Deposit - Retail	346,1	6,3	6,3			342,7	3,4
Loans from Financial Institutions	115,1	(39,8)	48,9			26,4	
Other borrowings	30,3	(0,9)	2,8			5,9	20,7
<b>Total Secured Claims</b>	<b>491,5</b>	<b>(34,4)</b>	<b>58,0</b>			<b>374,9</b>	<b>24,1</b>
<b>112 - Priority Claims</b>							
Deposit - Retail	2.216,9	0,7	1.167,0	0,0		1.049,4	1,3
Deposit - Wholesale	326,9	4,8	145,4			186,2	
Loans from Financial Institutions	112,6	(4,6)	14,2		3,9	89,9	
Other liabilities	164,5	(8,2)	0,9			22,5	133,0
(Claims settled by lump sum payment)	1,1	0,0	0,7			0,4	
<b>Total Priority Claims</b>	<b>2.822,0</b>	<b>(7,3)</b>	<b>1.328,2</b>	<b>0,0</b>	<b>3,9</b>	<b>1.348,4</b>	<b>134,2</b>
<b>113 - General Claims</b>							
Deposit - Retail	0,4	0,0	0,2	0,0		0,1	0,0
Deposit - Wholesale	10,5		8,4	2,0		0,1	0,0
Derivatives	404,4	1,2	202,8	0,0		161,4	41,5
Loans from Financial Institutions	2,2	47,1	49,3	0,0			
Other borrowings	192,8		115,6	61,2		6,3	9,7
Other liabilities	167,9	7,9	9,0	0,6	0,3	11,0	154,9
Securities Issued	1.755,9	2,5	1.049,1	182,5		503,2	23,6
Subordinated securities issued	123,5					103,9	19,6
<b>Total General Claims</b>	<b>2.657,5</b>	<b>58,8</b>	<b>1.434,4</b>	<b>246,3</b>	<b>0,3</b>	<b>786,0</b>	<b>249,6</b>
<b>114 - Subordinate Claims</b>	<b>43,2</b>					<b>43,2</b>	
<b>Grand Total</b>	<b>6.149,0</b>		<b>2.840,4</b>	<b>251,8</b>	<b>4,2</b>	<b>2.598,9</b>	<b>459,5</b>

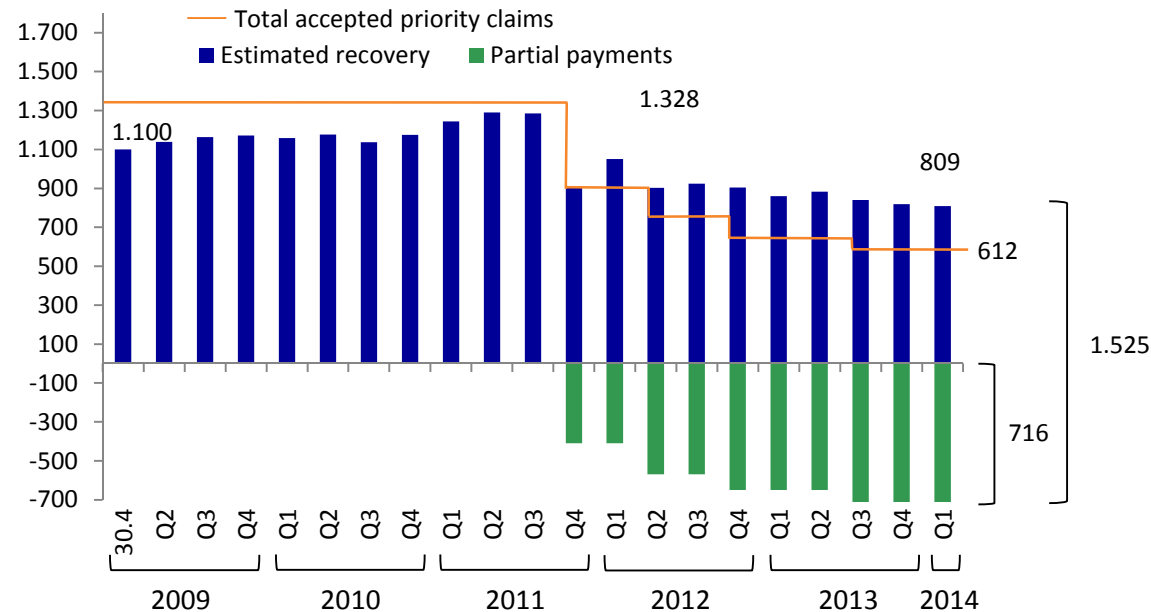
# Historical development

## Estimated recovery, Partial payments and Priority claims

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



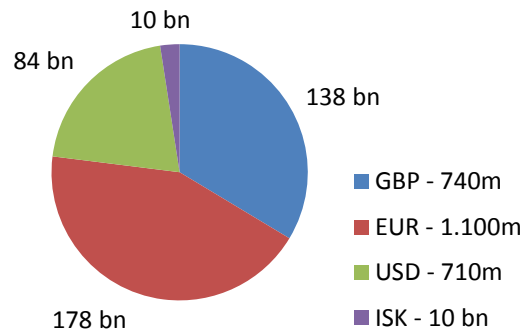
### Historical changes

- **Estimated recovery has increased since 30.4.2009 by ISK 425bn** (from ISK 1.100bn to ISK 1.525bn).
  - On 31.3.2014 the estimated recovery was ISK 197bn 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

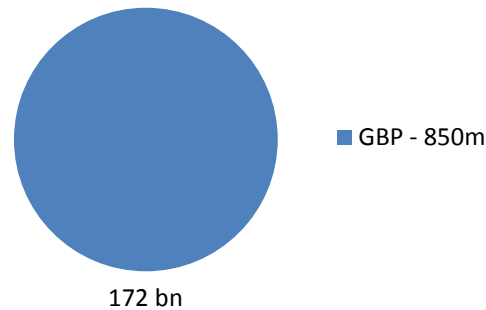
- **Development of estimated recovery for general unsecured creditors.**
  - According to the Supreme court ruling no. 553/2013 the FX rates of Partial payments are the selling rates of the Central Bank of Iceland on each payment date.
  - Estimated recovery reduced by ISK 13,4bn between periods due to FX changes.
  - At end of Q1 2014 estimated recovery was ISK 197bn 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 are included total estimated recovery is ISK 1.525,0bn. Liabilities as of 31.3.2014 and liabilities paid with the four partial payments are ISK 2.986,7bn, therefore estimated recovery rate is now 51%.**

# Partial payments to priority creditors (Art. 112)

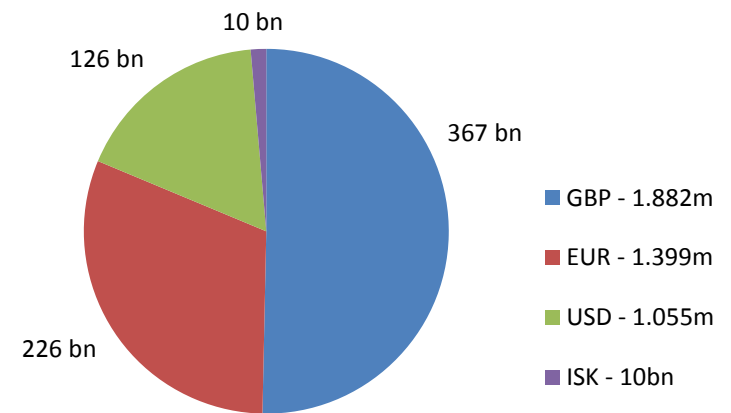
**First Partial payments - ISK 409,9bn**



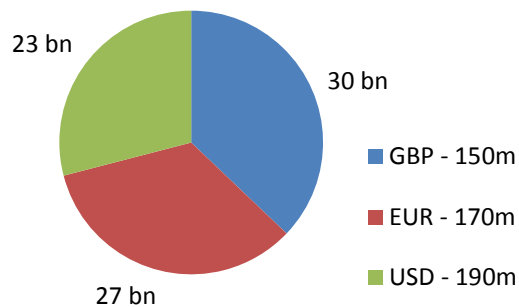
**Second Partial payments - ISK 172,3bn**



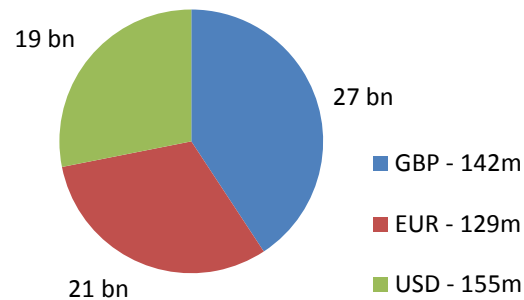
**Total Partial payments - ISK 729,4bn.**



**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 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	
	31.12.13	31.3.14	31.12.13	31.3.14	31.12.13	31.3.14	31.12.13	31.3.14	31.12.13	31.3.14	31.12.13	31.3.14
Cash	34	29	58	66	121	130	85	94	19	14	318	333
Loans to FI	0	0	1	1	16	15	10	10	0	0	28	26
Loans to Customers	10	10	10	8	53	50	83	76	27	26	183	171
Bonds	0	0	8	7	38	35	0	0	0	0	46	42
Equities	2	2	0	0	0	0	0	0	0	0	2	2
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>47</b>	<b>42</b>	<b>79</b>	<b>84</b>	<b>230</b>	<b>230</b>	<b>178</b>	<b>180</b>	<b>47</b>	<b>40</b>	<b>580</b>	<b>577</b>
LB A Bond	0	0	52	51	84	83	32	32	0	0	168	166
LB Contin. Bond	0	0	20	19	35	33	14	13	0	0	70	66
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>47</b>	<b>42</b>	<b>151</b>	<b>154</b>	<b>350</b>	<b>347</b>	<b>224</b>	<b>225</b>	<b>47</b>	<b>40</b>	<b>818</b>	<b>809</b>

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

- Cash in ISK decreased by total ISK 5,8bn due to payments of two claims ranking under Art. 110, to Íbúðalánasjóður (HHF) ISK 3,5bn and to Landsbankinn ISK 2,3bn. ISK is now 5,2% of total estimated recovery.
- USD increases by ISK 3bn and is now 19,0% of total estimated recovery.
- EUR decreases by ISK 3bn and is now 42,9% of total estimated recovery.
- GBP increases by ISK 1bn and is now 27,9% 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	7	1	0	0	2	0	0	0	0	0	0	0	0	2	42
USD	66	10	16	19	18	25	0	0	0	0	0	0	0	0	0	154
EUR	130	36	38	41	41	34	4	4	4	4	8	3	2	0	0	347
GBP	94	16	12	14	12	16	0	1	1	46	0	0	1	1	12	225
CAD and other	14	3	7	12	2	1	0	0	0	0	0	0	0	0	0	40
<b>Total assets</b>	<b>333</b>	<b>72</b>	<b>74</b>	<b>87</b>	<b>73</b>	<b>78</b>	<b>4</b>	<b>5</b>	<b>5</b>	<b>49</b>	<b>9</b>	<b>4</b>	<b>3</b>	<b>1</b>	<b>14</b>	<b>809</b>

### Estimated cash flow by asset category

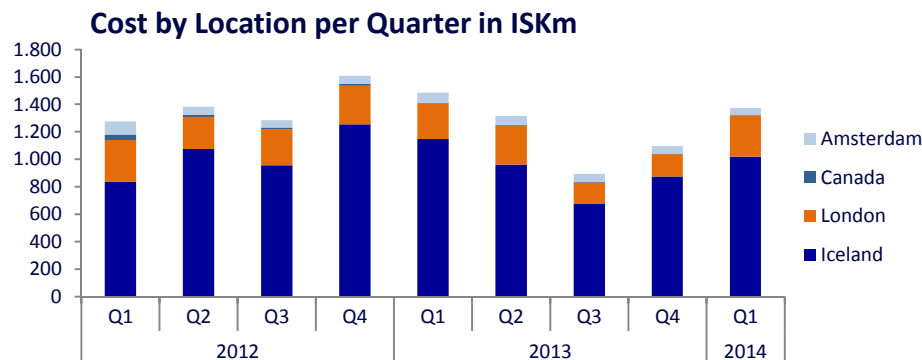
Estimated Recovery (ISKbn)	Cash	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Later	Total
Cash	333															333
Loans to Financial Inst.		10	6	1	1	1	1	1	1	1	5	0	0	0	0	26
Loans to Customers		44	17	25	11	9	1	1	1	46	1	1	1	1	14	171
Bonds		2	4	3	3	10	3	3	3	3	3	3	2	0	0	42
Equities		2	0	0	0	0	0	0	0	0	0	0	0	0	0	2
LB Financing		12	47	58	58	58	0	0	0	0	0	0	0	0	0	232
Derivatives		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Investment in Subsidiaries																0
Non current assets		1	0	2	0	0	0	0	0	0	0	0	0	0	0	3
<b>Total assets</b>	<b>333</b>	<b>72</b>	<b>74</b>	<b>87</b>	<b>73</b>	<b>78</b>	<b>4</b>	<b>5</b>	<b>5</b>	<b>49</b>	<b>9</b>	<b>4</b>	<b>3</b>	<b>1</b>	<b>14</b>	<b>809</b>

- 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 232bn, or 61% of expected cash flow in this period.
- Cash flow after 2018 is mainly from Loans to customers and Bonds (Avens-replacement bonds).
- Please note that expected cash flow from LB financing is reported under current terms.

# Total Operational Cost

ISKm	2012				2013				2014 Q1	Change QoQ
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
Housing and logistics	60	33	78	42	37	41	32	41	36	(12%)
Payroll and benefits	493	426	417	442	440	474	362	356	498	40%
Icelandic legal cost	300	205	158	215	208	194	157	223	181	(19%)
Icelandic expert cost	102	61	84	95	87	70	41	25	45	84%
Non-Icelandic legal cost	71	175	165	422	290	241	136	160	258	61%
Non-Icelandic expert cost	107	362	219	251	247	149	49	154	197	28%
Other Operational costs	74	51	95	78	106	85	60	80	100	24%
SLA cost	68	68	68	62	71	61	58	57	57	0%
<b>Breakdown by location</b>										
Iceland	837	1.076	956	1.254	1.147	962	675	875	1.018	16%
London	304	231	263	282	259	284	157	163	301	85%
Canada	39	16	13	14	4	4	3	3	2	(43%)
Amsterdam	95	58	52	57	76	65	59	54	51	(6%)
<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>25%</b>

- Total operational cost increases by 25% between quarters.
- Housing and logistics decreases by 12% between quarters.
- Payroll and benefits increases by 40% between quarters.
- Icelandic legal cost decreases by 19% between quarters.
- Icelandic expert cost increases by 84% between quarters .
- Non Icelandic legal cost increases by 61% between quarters.
- Non Icelandic expert cost increases by 28% between quarters.
- Other operational costs increases by 24% between quarters.
- No change in SLA cost between quarters.



# FX rates

## FX rates

	31.12.2013	31.3.2014	Breyting
EUR	158,5	155,84	(1,7%)
GBP	190,3	188,02	(1,2%)
USD	115,11	112,97	(1,9%)
CAD	108,24	102,27	(5,5%)