

May 19<sup>th</sup> 2011

**Landsbanki Íslands hf.**

Financial Information - Q1 2011

---

## **1. Disclaimer**

---

## **2. Financial Information**

---

## **3. Update on UK retail assets**

---

# Disclaimer

---

- This report is confidential and exclusively for the use of those parties who have lodged claims against Landsbanki Íslands hf. (LBI). This report is not intended to provide the basis of any credit or other evaluation and should not be relied upon for the purpose of making investment decisions or determination regarding trading claims of LBI.
- The estimated value of assets is subjected to great uncertainty i.a. due to the development of the economic environment in Iceland and abroad which could influence the future value of the underlying assets.
- In accordance with the Legislation for Financial Institutions number 161/2002, as amended by the Legislation number 44/2009 from April 22<sup>nd</sup> 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 22<sup>nd</sup> 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 22<sup>nd</sup>.
- The numbers for liabilities shown as of 22<sup>nd</sup> of April 2009 are not acquired from the WuB Register of claims.

## Disclaimer cont.

---

- The information contained within this presentation is set forth to the best of LBI's ability. Furthermore, certain information is taken from third parties, in which case LBI uses sources which LBI regards as dependable. LBI cannot, however, guarantee the accuracy of the information contained within this presentation. Furthermore, the information and views presented herein, regardless if these are provided by LBI or a third party, may change without notice.
- LBI accepts no responsibility for the accuracy of the information provided herein. LBI is under no obligation to make amendments or changes to this presentation if errors are found or opinions or information change.
- LBI does not warrant the accuracy, suitability or sufficiency of the information or any methodology used to produce the information contained within this presentation.
- The use of LBI's material, works or trademarks is forbidden without written consent except were otherwise expressly stated. Furthermore, it is prohibited to publish material made or gathered by LBI without written consent.

---

**1. Disclaimer**

---

**2. Financial Information**

---

**3. Update on UK retail assets**

---

# Estimated Global Recovery

Landsbanki Íslands hf.

Estimated Recovery ISKbn	31.12.2010	31.3.2011	FX change	Actual Change in Quarter*	
Cash	361	408	10,4	35,9	10%
Loans to Financial Inst.	61	68	2,7	4,4	7%
Loans to Customers	277	249	6,9	(35,2)	(13%)
Bonds	21	22	1,1	(0,4)	(2%)
Equities	117	146	3,1	26,4	23%
NBI Financing	318	331	9,1	4,5	1%
Derivatives	15	15	0,0	(0,5)	(3%)
Investment in Subsidiaries	1	1	0,0	0,0	3%
Non current assets	3	5	(0,0)	1,6	52%
<b>Total</b>	<b>1.175</b>	<b>1.245</b>	<b>33,3</b>	<b>36,8</b>	<b>3%</b>

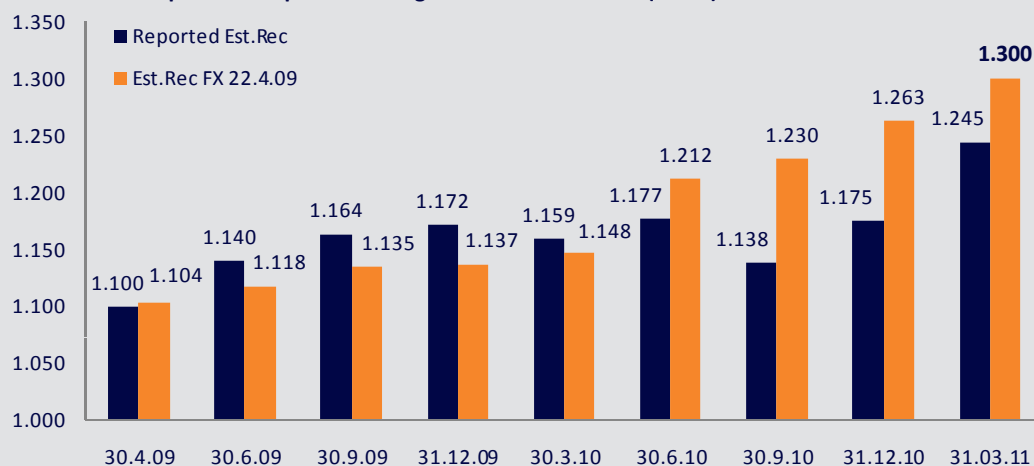
\*Actual Change excluding FX variations.

## Estimated Global Recovery

- Estimated recovery has increased by ISK 70,1bn in the quarter or 6%.
  - Actual estimated recovery increased in the quarter by ISK 36,8bn or 3%.
  - FX changes increased estimated recovery in the quarter by ISK 33,3bn or 3%.
- The main changes in estimated recovery are reflected in higher cash position than expected, increased value of Equities in connection with reclassification from Loans to Customers to Equities and increased value of NBI Financing.

## Estimated Recovery

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



## Actual change in Estimated Recovery

- If FX volatility is controlled for by fixing FX rates as of certain date the estimated value of recoverable assets has increased by ISK 196bn since 30 April 2009 (see graph) and is now 99% of priority claims as recorded in balance sheet (see further slide 8).
- Not controlling for FX rates, since 30 April 2009 reported estimated recovery has increased by ISK 145bn and is now 94% of priority claims as recorded in balance sheet (see further slide 8).

# Statement of Assets and Liabilities

## Landsbanki Íslands hf.

ISKbn	Recorded balance sheet as of 31.12.2010	Estimated value of assets 31.12.2010	Recorded balance sheet as of 31.3.2011	Estimated value of assets 31.3.2011
Loans to Financial Institutions				
Cash	361	361	408	408
Loans to Financial Institutions	213	61	268	68
Loans to customers	982	277	795	249
Bonds	77	21	76	22
Equities	118	117	147	146
Derivatives	94	15	90	15
Investments in subsidiaries	89	1	88	1
Non-current assets	3	3	5	5
Other assets	6	0	6	0
<b>Total assets without NBI</b>	<b>1.944</b>	<b>857</b>	<b>1.882</b>	<b>914</b>
Financial instrument from NBI				
A Bond	269	269	277	277
Contingent Bond	30	30	38	38
Equity in NBI	28	28	28	28
NBI Equity Claw Back	(9)	(9)	(12)	(12)
<b>Total assets</b>	<b>2.262</b>	<b>1.175</b>	<b>2.213</b>	<b>1.245</b>

### Assets

- Cash positions includes government bonds which are classified as being cash equivalent, see further slide 19.
- Recorded balance sheet is 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.
- Final write-offs in Q1 reduced loans to customers exposure by ISK 173bn.
- Loan Exposures are expected to decrease further in 2011 due to final write-offs.

### Liabilities

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

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
<b>Total liabilities</b>	<b>3.427</b>

	FX rates			
	22.4.2009	31.12.2010	31.3.2011	%change
CAD:	105,5	115,3	117,6	2,0%
EUR:	169,2	153,8	162,1	5,4%
GBP:	191,1	179,1	183,3	2,4%
USD:	130,7	114,7	114,1	(0,5%)

# Overview of LBI's Liabilities

## Landsbanki Íslands hf.

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
<b>Total liabilities</b>	<b>3.427</b>

The amount of liabilities shown above is not based on the list of claims lodged.

### Balance sheet

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

### Claims lodged

- 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 are not lodged or are 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).
- The balance sheet of LBI will eventually reflect the outcome of the claims process. As claims become finally accepted the Balance Sheet will gradually be amended accordingly.

Overview of claims lodged and the status of the claims process as of 19 May 2011, ISKbn	Total amount of claims lodged	Total amount of claims accepted	Total amount of claims rejected	Total amount of claims not yet reviewed	Total amount of finally accepted claims	Total amount of finally rejected claims
Claims pursuant to Article 109 of the BA	41	0	31	5	0	0
Claims pursuant to Article 110 of the BA	33	0	32	0	0	0
Claims pursuant to Article 111 of the BA	475	3	381	0	0	0
Claims pursuant to Article 112 of the BA	2.852	1.317	1.399	132	0	0
Claims pursuant to Article 113 of the BA	2.691	1.235	911	645	0	0
Claims pursuant to Article 114 of the BA*	40	0	29	11	0	0
<b>Total amount</b>	<b>6.131</b>	<b>2.555</b>	<b>2.783</b>	<b>793</b>	<b>0</b>	<b>0</b>

\* The WuB does not review claims that are subordinated according to Article 114 of the BA (cf. Article 119). Claims that have been lodged based on Articles 109 - 113 and are, upon review by the WuB, found to be subordinated are presented above as rejected although that rejection only refers to the ranking without further review.



# Estimated Recovery by Location

## Landsbanki Íslands hf.

ISKbn	Reykjavik		London		Amsterdam		Labki/Halifax		Total		%
	31.12.10	31.03.11	31.12.10	31.03.11	31.12.10	31.03.11	31.12.10	31.03.11	31.12.10	31.03.11	Change
Loans to Financial Institutions											
Cash	152	174	153	162	43	56	14	16	361	408	13%
Loans to Financial Institutions	61	65	0	3	0	0	0	0	61	68	12%
Loans to Customers	90	72	117	117	48	39	23	21	277	249	(10%)
Bonds	0	0	21	22	0	0	0	0	21	22	3%
Equities	108	136	8	11	0	0	0	0	117	146	25%
Derivatives	15	15	0	0	0	0	0	0	15	15	(3%)
Investments in Subsidiaries	1	1	0	0	0	0	0	0	1	1	3%
Non-current Assets	3	5	0	0	0	0	0	0	3	5	50%
<b>Total assets without Instrument from NBI</b>	<b>430</b>	<b>467</b>	<b>299</b>	<b>315</b>	<b>91</b>	<b>95</b>	<b>36</b>	<b>37</b>	<b>857</b>	<b>914</b>	<b>7%</b>
NBI A Bond	269	277							269	277	3%
NBI Contingent Bond	30	38							30	38	27%
NBI Equity	28	28							28	28	0%
NBI Equity Claw Back	(9)	(12)							(9)	(12)	27%
<b>Total Assets</b>	<b>748</b>	<b>798</b>	<b>299</b>	<b>315</b>	<b>91</b>	<b>95</b>	<b>36</b>	<b>37</b>	<b>1.175</b>	<b>1.245</b>	<b>6%</b>

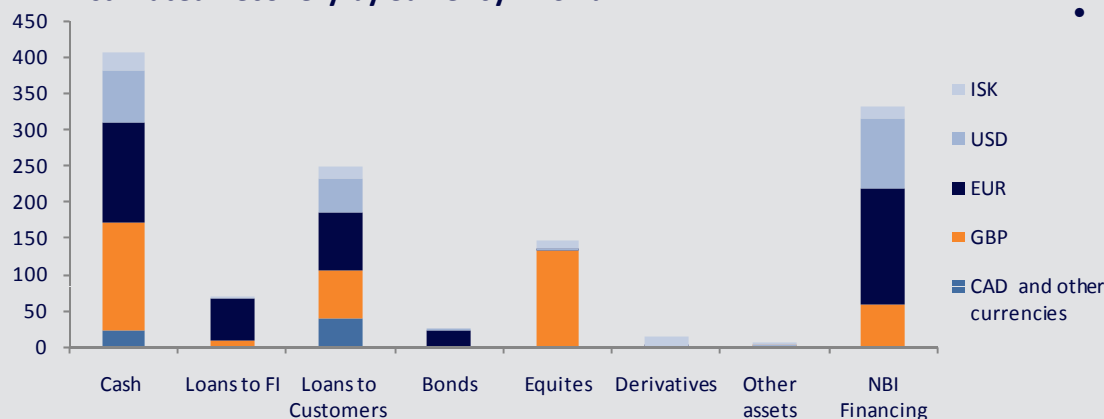
- **Reykjavik:** Estimated recovery increased by ISK 50bn. The increase can be attributed to a revaluation of an asset that was in the quarter reclassified from Loans to Customers to Equities as well as a dividend payment which is reflected in higher cash position. The Contingent Bond increased by ISK 8bn.
- **London Branch:** Estimated recovery increased by ISK 16bn. The increase is mostly due to FX changes, higher valuation in Loans to FI and Equities.
- **Amsterdam:** Cash increased by ISK 13bn, there of FX changes explain ISK 3bn.
- **Labki/Halifax:** No material changes.

# LBI Estimated Recovery by Currency

Landsbanki Íslands hf.

ISKbn	ISK	USD	EUR	GBP	CAD	Other currencies	Total
Cash	25	71	138	150	11	11	408
Loans to Financial Institutions	0	0	59	9	0	0	68
Loans to Customers	16	46	81	65	22	19	249
Bonds	0	1	22	0	0	0	22
Equities	10	3	0	134	0	0	146
Derivatives	15	0	0	0	0	0	15
Other assets	2	3	0	0	0	0	6
<b>Total assets without NBI Instrument</b>	<b>69</b>	<b>124</b>	<b>299</b>	<b>359</b>	<b>33</b>	<b>30</b>	<b>914</b>
NBI A Bond	0	84	142	51	0	0	277
NBI Contingent Bond	0	11	19	8	0	0	38
NBI Equity	28	0	0	0	0	0	28
NBI Equity Claw Back	(12)	0	0	0	0	0	(12)
<b>Total assets</b>	<b>85</b>	<b>220</b>	<b>460</b>	<b>417</b>	<b>33</b>	<b>30</b>	<b>1.245</b>

Estimated Recovery by Currency in ISKbn



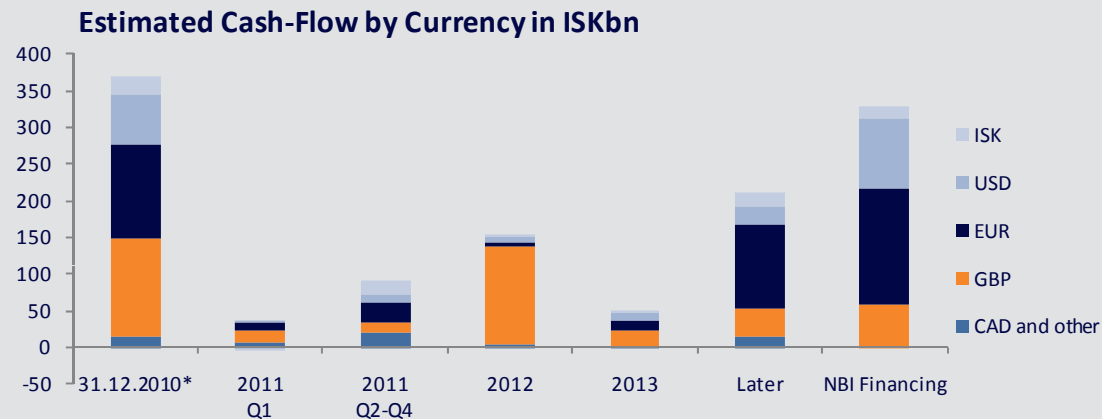
- Main changes in estimated recovery by currencies between periods:
  - ISK reduced from 89bn to 85bn or from 8% to 7% mainly due to NBI Equity Claw Back right.
  - EUR increased from 433bn to 460bn, mainly due to FX changes and increased value of Contingent Bond.
  - GBP increased from 377bn to 417bn, mainly due to FX changes, dividend payment and increased value of Contingent Bond.

# Estimated Cash-Flow by Currency

Landsbanki Íslands hf.

ISKbn	31.12.2010*	2011 Q1	2011 Q2-Q4	2012	2013	Later	NBI Payments	Contingent Bond	Total
ISK	26	(1)	19	3	2	19	16	0	85
USD	68	4	12	8	10	23	84	11	220
EUR	128	10	26	6	13	116	141	19	460
GBP	133	18	15	134	22	38	50	8	417
CAD and other	16	6	19	4	3	15	0	0	63
<b>Total assets</b>	<b>371</b>	<b>37</b>	<b>92</b>	<b>155</b>	<b>50</b>	<b>211</b>	<b>292</b>	<b>38</b>	<b>1.245</b>

\*Using exchange rate 31.3.2011



- ISK 408bn has already been collected in cash. Cash collection has been faster than expected, mainly due to dividend payment and payments of Loans to Customers in Amsterdam.
- Estimated cash flow for 2011 has been increased from before estimated ISK 94bn to ISK 129bn or by 37%.

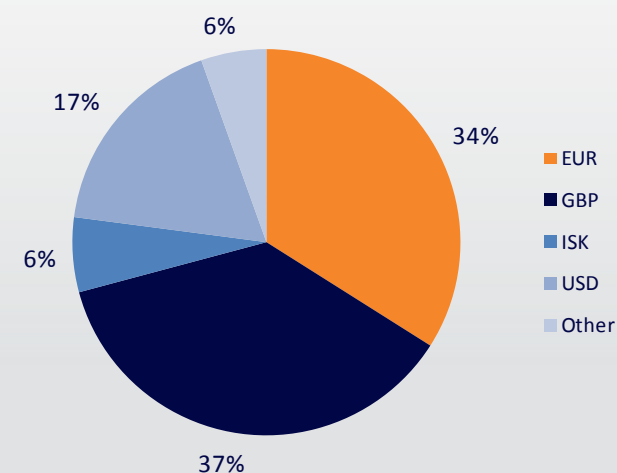
# Loans to Financial Institutions - Cash and Cash Equivalents

Landsbanki Íslands hf.

## Cash Balances - Using Currency Exchange Rates 31.3.2011

Currency	In currency m			ISKbn		
	31.12.2010	31.3.2011	Change in Quarter	31.12.2010	31.3.2011	Change in Quarter
AUD	12	15	3	1,4	1,7	0,3
CAD	88	96	7	10,4	11,2	0,8
DKK	91	261	170	2,0	5,7	3,7
EUR	791	854	63	128,2	138,4	10,1
GBP	724	820	96	132,7	150,3	17,6
ISK	26.433	25.405	(1.027)	26,4	25,4	(1)
USD	592	623	31	67,6	71,1	3,6
Other				2,2	3,7	1,5
<b>Total ISKbn</b>				<b>370,9</b>	<b>407,6</b>	<b>36,7</b>

Currency Composition of Cash Balances 31.3.2011



## Cash Recovery by Location

Location	31.12.2010*	31.3.2011	Change in Quarter
Reykjavik	155,2	173,9	18,7
London	156,2	161,8	5,6
Amsterdam	45,7	55,7	10,0
Labki/Halifax	13,8	16,1	2,3
<b>Total ISKbn</b>	<b>370,9</b>	<b>407,6</b>	<b>36,7</b>

\*Using exchange rates 31.3.2011, using exchange rate 31.12.2010 the total amount would be 361,3bn

- Cash balances have increased by 10% after excluding FX changes in the period and now amounts to 33% of total expected recovery.

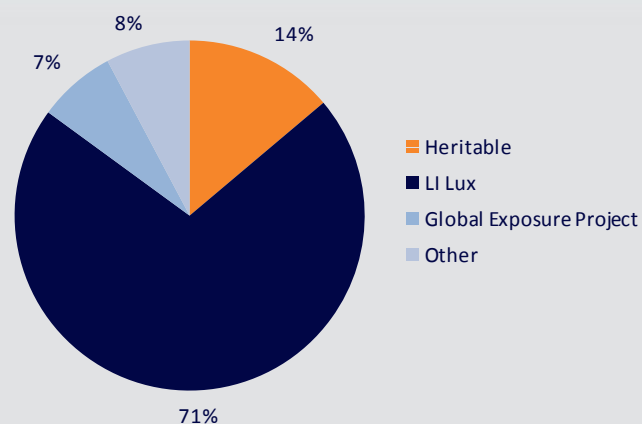
# Loans to Financial Institutions - Other

Landsbanki Íslands hf.

All amounts in ISKbn	Recorded Balance		Estimated Recovery		Recovery Rate %	
	31.12.2010	31.3.2011	31.12.2010	31.3.2011	31.12.2010	31.3.2011
Heritable bank	15,4	15,8	9,2	9,5	60%	60%
LI Lux	138,4	145,8	46,1	48,6	33%	33%
Project Global Exposure	0,0	46,8	0,0	4,9	0%	10%
Other	59,7	59,7	5,8	5,3	10%	9%
<b>Total ISKbn</b>	<b>213,5</b>	<b>268,1</b>	<b>61,1</b>	<b>68,3</b>	<b>29%</b>	<b>25%</b>

- Expected recovery of the LBI claims against Heritable Bank and LI Lux is only influenced by FX changes this quarter.
- New line item is now shown as Project Global Exposure, which was previously reported as Other.
- Certain positions under the Project Global Exposure that were previously expected to be fully set-off now have a positive exposure and expected recovery, thus the significant increase in these items.

Estimated Recovery as of 31.3.2011

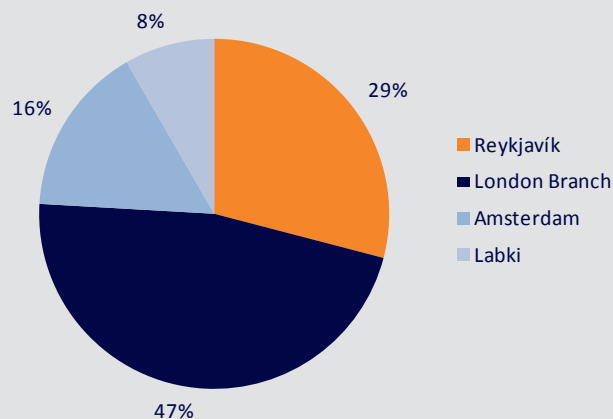


# Loans to Customers

## Landsbanki Íslands hf.

All amounts in ISKbn	Recorded Balance		Estimated Recovery		Recovery Rate %	
	31.12.2010	31.3.2011	31.12.2010	31.3.2011	31.12.2010	31.3.2011
Reykjavík	681,0	501,6	90,2	72,1	13%	14%
London Branch	207,0	211,2	116,7	116,8	56%	55%
Amsterdam	62,0	54,8	47,9	39,3	77%	72%
Labki	28,8	27,1	22,5	20,8	78%	77%
<b>Total ISKbn</b>	<b>978,9</b>	<b>794,8</b>	<b>277,3</b>	<b>249,0</b>	<b>28%</b>	<b>31%</b>

Estimated Recovery as of 31.3.2011



### Reykjavík

- Main changes are due to reclassification to Equities through enforcement of security. Total exposure reduces due to final write-offs.

### London Branch

- Net repayments of ISK 3bn offset by FX impact and increase in valuation. Three loans exited at par.

### Amsterdam

- Repayments reduced estimated recovery by ISK 10bn which now are reflected in cash, other changes are due to FX.

### Labki

- Loan portfolio is stable. Restructuring of Labki's largest loan exposure/recovery was finalised in the quarter.

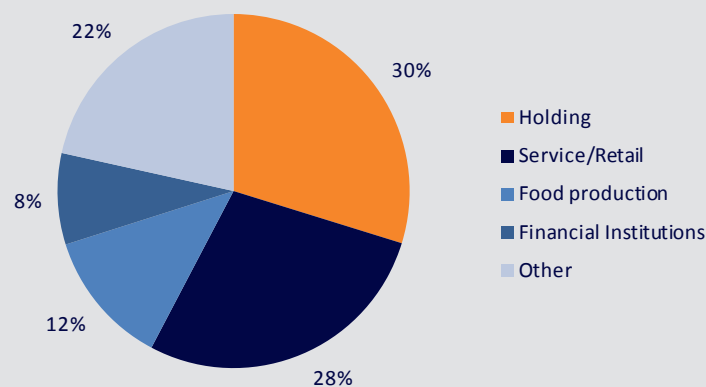
# Loans to Customers by Sector

## Reykjavik

ISKbn Sector	Loan Exposure		Estimated Recovery		Recovery Rate %	
	31.12.2010	31.3.2011	31.12.2010	31.3.2011	31.12.2010	31.3.2011
Holding	390,7	244,1	21,4	21,5	5%	9%
Service/Retail	171,9	138,9	42,1	20,1	24%	14%
Food Production	36,5	38,7	7,5	8,9	21%	23%
Financial Institutions	11,5	11,8	5,6	6,0	48%	51%
Other	70,5	68,1	13,6	15,5	19%	23%
<b>Total ISKbn</b>	<b>681,0</b>	<b>501,6</b>	<b>90,2</b>	<b>72,1</b>	<b>13%</b>	<b>14%</b>

- Exposure/estimated recovery in Service/Retail reduces due to reclassification to Equities through enforcement of security.
- As the loan book is more concentrated smaller sectors have been merged with "Other". Estimated recovery in Other is ISK 15,5bn of which
  - 5,9bn comes from former Other
  - 3,7bn from Properties & Land
  - 3bn from Transportation
  - 2,1bn from Shipping
  - 0,9bn from Fisheries

Estimated Recovery as of 31.3.2011



Other decreases due to reclassification to Non-current Assets. In Transportation recovery increases by ISK 3bn due to recent agreement.

- Total exposure reduces due to final write-offs, which is reflected in lower exposure in Holding and Service/Retail.

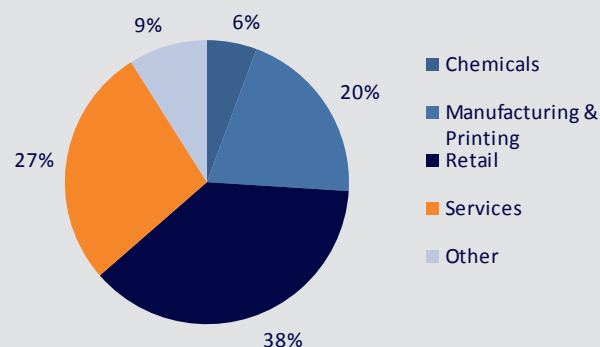
# Loans to Customers by Sector, cont.

## London

All amounts in ISKbn	Loan Exposure		Estimated Recovery		Recovery Rate%	
	31.12.2010	31.3.2011	31.12.2010	31.3.2011	31.12.2010	31.3.2011
Leveraged Finance	141,3	148,7	58,5	62,2	41%	42%
Trade Finance	0,8	0,8	0,8	0,8	98%	98%
Commercial Finance	45,3	42,9	38,3	35,5	85%	83%
Commercial Finance US	19,6	18,8	19,0	18,3	97%	97%
<b>Balance Sheet total</b>	<b>207,0</b>	<b>211,2</b>	<b>116,7</b>	<b>116,8</b>	<b>56%</b>	<b>55%</b>

Sector	Loan Exposure		Estimated Recovery		Recovery Rate%	
	31.12.2010	31.3.2011	31.12.2010	31.3.2011	31.12.2010	31.3.2011
Chemicals	71,6	75,3	6,5	6,6	9%	9%
Manufacturing & Printing	29,6	30,6	22,6	23,7	76%	78%
Retail	54,5	54,6	44,2	43,9	81%	80%
Services	36,0	37,4	30,7	32,0	85%	86%
Other	15,3	13,3	12,7	10,5	83%	79%
<b>Total ISKbn</b>	<b>207,0</b>	<b>211,2</b>	<b>116,7</b>	<b>116,8</b>	<b>56%</b>	<b>55%</b>

Estimated Recovery as of 31.3.2011



Exposure and recovery decrease due to net repayments of about ISK 3.1bn offset by positive FX impact. Small adjustment of valuations. Note, positive FX impacts across all sectors and business lines.

- **Leverage:** One loan exit at par, increase due to drawings and accruals. Small net valuation increase. Adjusting for one large exposure awaiting write-off the recovery is 77%.
- **Commercial Finance:** One exit at par, several net reductions of loans, small net valuation decrease
- **Commercial Finance US:** One exit at par, net reduction in drawings.
- **Sectors:** No general sector concerns. Three full exits across "Other" (Building Materials and Telecom Distribution).

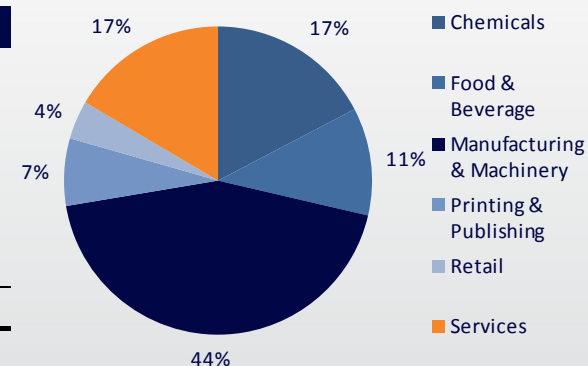


# Loans to Customers by Sector, cont.

## Amsterdam, Labki/Halifax

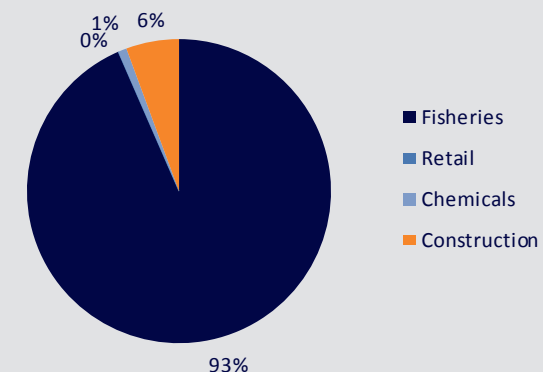
Amsterdam Sector	Loan Exposure		Estimated Recovery		Recovery Rate%	
	31.12.2010	31.3.2011	31.12.2010	31.3.2011	31.12.2010	31.3.2011
Chemicals	6,8	7,0	6,7	6,8	98%	98%
Food & Beverage	4,3	4,6	4,2	4,4	98%	98%
Manufacturing & Machinery	21,1	18,9	19,4	17,2	92%	91%
Printing & Publishing	3,2	3,4	2,6	2,8	81%	81%
Retail	4,9	4,9	2,4	1,6	49%	32%
Services	21,6	15,9	12,6	6,5	58%	41%
<b>Total ISKbn</b>	<b>62,0</b>	<b>54,8</b>	<b>47,9</b>	<b>39,3</b>	<b>77%</b>	<b>72%</b>

Estimated Recovery as of 31.3.2011



Labki/Halifax Sector	Loan Exposure		Estimated Recovery		Recovery Rate%	
	31.12.2010	31.3.2011	31.12.2010	31.3.2011	31.12.2010	31.3.2011
Chemicals	0,5	0,5	0,2	0,2	35%	35%
Fisheries	25,8	25,4	19,9	19,4	77%	76%
Retail	1,3	0,0	1,3	0,0	98%	0%
Construction	1,2	1,2	1,2	1,2	98%	98%
<b>Total ISKbn</b>	<b>28,8</b>	<b>27,1</b>	<b>22,5</b>	<b>20,8</b>	<b>78%</b>	<b>77%</b>

Estimated Recovery as of 31.3.2011



# Bonds & Equities

Landsbanki Íslands hf.

All amounts in ISKbn	Recorded Balance		Estimated Recovery		Recovery Rate %	
	31.12.2010	31.3.2011	31.12.2010	31.3.2011	31.12.2010	31.3.2011
<b>Reykjavík</b>						
Bonds	15,8	16,1	0,0	0,0	0%	0%
Equities	109,8	136,8	108,5	135,6	99%	99%
<b>London Branch</b>						
Bonds	61,4	59,8	21,5	22,2	35%	37%
Equities	8,2	10,6	8,2	10,6	100%	100%
<b>Total ISKbn</b>	<b>195,1</b>	<b>223,2</b>	<b>138,1</b>	<b>168,4</b>	<b>71%</b>	<b>75%</b>

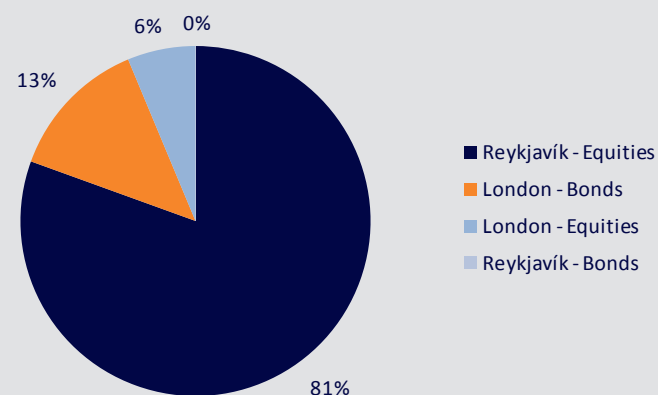
## Reykjavík

- No bonds with estimated recovery in Reykjavík.
  - Investments in government bonds (cash equivalent) are reported as cash.
- The Equity position in Reykjavík increased in value following reclassification of pledged assets (enforcement of security) from Loans to Customers to Equity.

## London Branch

- The estimated recovery of Bonds increases mainly due to FX changes which were partly offset by maturities.
- The estimated recovery of Equities increases mainly due to higher valuation.

Estimated Recovery as of 31.3.2011



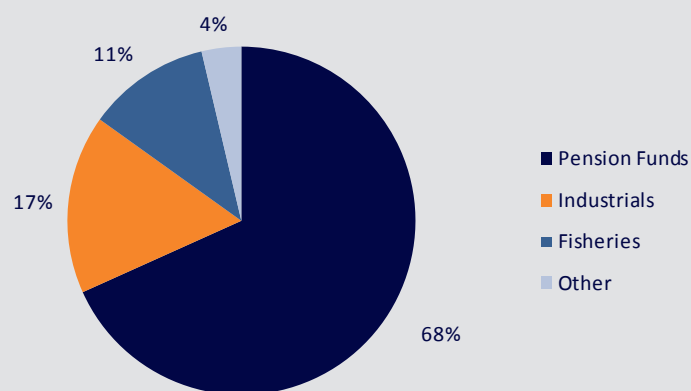
# Derivatives

## Landsbanki Íslands hf.

ISKbn Sector	Exposure		Estimated Recovery		Recovery Rate %	
	31.12.2010	31.3.2011	31.12.2010	31.3.2011	31.12.2010	31.3.2011
Holding Companies	21,2	18,3	0,4	0,0	2%	0%
Pension Funds	31,9	31,9	10,0	10,0	31%	31%
Industrials	22,9	22,7	2,5	2,4	11%	11%
Fisheries	11,9	12,0	1,7	1,7	14%	14%
Other	3,9	3,7	0,6	0,5	14%	15%
<b>Total Domestic</b>	<b>91,6</b>	<b>88,6</b>	<b>15,1</b>	<b>14,6</b>	<b>16%</b>	<b>17%</b>
Foreign	2,0	1,0	0,0	0,0	2%	0%
<b>Total</b>	<b>93,6</b>	<b>89,6</b>	<b>15,1</b>	<b>14,6</b>	<b>16%</b>	<b>16%</b>

- Nearly all derivatives are still under dispute, already in court or heading for court.
- Total estimated recovery is consistent at 16%.
- Decrease in Exposure and Estimated recovery due to closures, with payments and partial write-offs.

Estimated Recovery as of 31.3.2011



# Investments in Subsidiaries, Non-Current Assets and other assets

Landsbanki Íslands hf.

All amounts in ISKbn	Recorded Balance		Estimated Recovery		Recovery Rate %	
	31.12.2010	31.3.2011	31.12.2010	31.3.2011	31.12.2010	31.3.2011
Investment in Subs.	89,0	88,4	1,3	1,3	1%	2%
Non-current assets	3,1	4,6	3,1	4,6	100%	100%
Other assets	6,0	5,5	0,0	0,0	0%	0%
<b>Total ISKbn</b>	<b>98,1</b>	<b>98,5</b>	<b>4,4</b>	<b>5,9</b>	<b>4%</b>	<b>6%</b>

- Estimated recovery of Non-current assets increased during the period and now amount to ISK 4,6bn due to increased number of repossessed assets.
- Recorded Balance of Other assets, with no estimated recovery, decreased due to final write-offs.
- There were no material changes in Investment in Subsidiaries.

# Total Cost

## Landsbanki Íslands hf.

Total Cost All values in ISKm	2010				2011	Change	
	Q1	Q2	Q3	Q4	Q1	YoY	QoQ
Payroll and benefits	942	652	536	524	524	(44%)	(0%)
Administration cost	87	104	92	103	96	11%	(7%)
Legal and other expert costs	1.603	1.335	935	807	760	(53%)	(6%)
Dutch Administration cost & support	82	124	0	0	0	(100%)	0%
Other Operational costs	296	171	171	219	217	(27%)	(1%)
SLA cost	146	146	139	139	81	(45%)	(42%)
<b>Distribution by location</b>							
Iceland	1.707	1.454	1.173	1.117	1.077	(37%)	(4%)
London	1.127	713	531	525	469	(58%)	(11%)
Canada	76	80	73	74	67	(12%)	(10%)
Amsterdam	247	285	96	77	66	(73%)	(14%)
<b>Total ISKm</b>	<b>3.157</b>	<b>2.531</b>	<b>1.874</b>	<b>1.793</b>	<b>1.678</b>	<b>(21%)</b>	<b>(6%)</b>

- Note that all numbers are in ISKm.
- Costs continued to decrease in Q1 2011. The decrease quarter-on-quarter was 6% while the decrease year-over-year was 21%.
- Payroll and benefits remained unchanged between quarters while all other costs decreased.
- More than one third of the SLA costs is for IT service and payment for licensed programmes.
- Costs are decreasing in all locations. If costs are calculated in the currency of each branch/subsidiary the real decrease quarter-on-quarter is 4% in Reykjavík, 14% in London, 13% in Labki and 18% in Amsterdam.

Cost by Location per Quarter in ISKm



---

**1. Disclaimer**

---

**2. Financial Information**

---

**3. Update on UK retail assets**

---

# Iceland Foods Group Limited

The logo for Iceland Foods Group Limited, featuring the word "Iceland" in white, bold, sans-serif font on a red-to-orange gradient rectangular background.

## Landsbanki Íslands hf.

---

The last milestone in over a two year process was reached in late March 2011 when 13.7% of Iceland Foods Group Limited (Iceland Foods) shares were transferred into Landsbanki (LBI), to bring the shareholding to 66.7%.

After securing its full equity position in Iceland Foods, LBI decided to engage financial advisor(s) to:

- Present its view whether this is the right time for Landsbanki to sell its holdings and suggest alternatives if an outright sale is not advisable at this time.
- Suggest alternatives that will permit LBI to monetise its stake if an outright sale is not advisable at this time.
- if a sale is appropriate, advise regarding how best to organise and manage the sale process so as to provide both strategic and financial buyers the opportunity to participate in the process.
- Evaluate whether offers received are fair from a financial standpoint; create an approach to providing staple financing to qualified borrowers participating in the process.
- Otherwise advise in connection with any proposed transaction.

# Iceland Foods Group Limited, Cont.

## Landsbanki Íslands hf.

---

### **Financial Advisor (“FA”) Selection process:**

Major considerations: large transaction capability including financing, active in market, similar transactions, conflicts and last but not least, the experience of the individuals involved.

1. A selection of 12 international investment banks was considered to fulfill the requirements.
2. Eight banks were invited to send proposal, all responded after conflict checks but only seven were interviewed by a panel of eight people, including Resolution Committee and advisors. The request for proposal (RFP) asked the banks to qualify themselves according to the major considerations for an engagement.
3. Two banks were engaged for further talks and discussions.
4. Joint engagement of UBS and Merrill Lynch International (Bank of America). Both teams have all around fundamental strength but in addition offer complementary skills such as discussed innovative tactics, perceived to have ability to engage management, proven insight into retail and value enhancing strategies, and reach into different investor communities.



# Iceland Foods Group Limited, Cont.

## Landsbanki Íslands hf.

---

### Engagement Scope

The FAs have been engaged to first determine the most appropriate disposition strategy and, once determined, execute a transaction.

### Disposition Strategy:

- determine most appropriate timing in regard to disposition objectives
- review alternative strategies for form of transaction (e.g. sale, IPO, MBO, leveraged recapitalization, etc.)
- determine most appropriate sales process (targeted auction, broad auction, etc.)

### Transaction Execution include, but not limited to:

- business review of Iceland Foods
- managing sales process including contacting interested buyers and drafting relevant marketing materials and presentations
- advising on discussions and cooperation with management
- participate and provide advice in negotiations with buyers
- may included transaction financing and provision of fairness opinions

# Iceland Foods Group Limited, Cont.

## Landsbanki Íslands hf.

---

### Term:

- Success fee geared towards enterprise value above £1.5bn, standard terms negotiated with aid of legal advisor (Linklaters UK), no abort fee, provision for fairness opinion, no retainer and minimum success fee.
- Exceptional terms are engagement of a certain individual with vast retail experience.
- Creditor considerations are reflected:
  - “Meeting with Resolution Committee, creditors and other stakeholders to provide Landsbanki with its views on which it is appropriate to proceed with a Transaction at this time and to answer questions accordingly”
  - “..advising and assisting ...in making presentations to creditors and other stakeholders concerning a proposed transaction and being available at [Landsbanki’s] request to meet with such parties to discuss and assist with presentations in relation to a proposed Transaction”.

### Project milestones reached:

- Internal Landsbanki project team appointed.
- Split of tasks and FA’s team responsibilities submitted for Landsbanki’s review.
- Presentation prepared for the ICC.
- FA’s separate view is that now is a good time to sell.
- Timeline draft submitted for work once/if decision to sell is reached.

# Aurum Group

**GOLDSMITHS**  
SINCE 1778



**WATCHES OF SWITZERLAND**  
specialist retailers in swiss timepieces



**MAPPIN & WEBB**

## Landsbanki Íslands hf.

### Aurum Group

- Largest UK luxury watch retailer and one of the largest prestige and luxury jewelers in the UK.
- Three main trading brands: Goldsmiths, Watches of Switzerland and Mappin & Webb.
- A total of 161 stores, including specialized boutiques, airport presence and online distribution.
- Robust sales of £326m and EBITDA of £16.1m in the last trading year.

### Landsbanki ownership

- The bank was a leading lender in 2004 when Baugur (Icelandic private equity) acquired Goldsmiths, followed later by a bolt on acquisition of both Mappin & Webb and Watches of Switzerland.
- Several factors contributed to a restructure which was successfully finalized in 2009/2010.
- Under Landsbanki's leadership, the mezzanine lenders converted debt to Equity and provided modest new funding, which left Landsbanki and Don McCarthy (Chairman) as main shareholders.
- Under the steer and strategic vision of a new CEO and an enhanced management board, the company has traded solidly and efficiently.
- Aurum is trading two years ahead of the restructuring plan.

# Aurum sales process

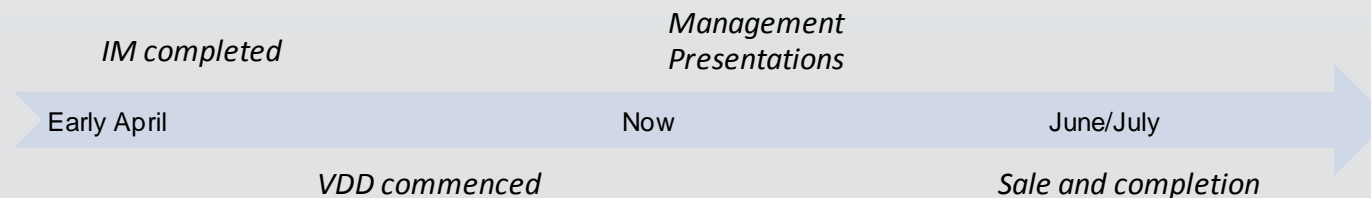
## Landsbanki Íslands hf.

---

### Appointment of advisors

- Cavendish Corporate Finance in London has been jointly appointed by shareholders to manage the sales process after considering three leading UK mid-market advisory firms. Partner Paul Herman leads negotiations and advisory work for Cavendish.
- The appointment of a joint advisor reflects alignment of the major shareholders, however ultimately Landsbanki forms a clear majority.
- Legal advisors were selected to be CMS, Cameron McKenna with partner Louise Wallace as lead.
- Landsbanki's daily project team is in London, with steer from ÁH and Resolution Committee.

### Timeline



### Strategy

- Marketing as a high end luxury brand, UK market leader, solid supplier relationships.
- Future upside in the business is key consideration for attracting buyers.
- Cavendish is incentivised to exceed the current valuation of the Landsbanki position.

### Status update

- Management presentations are ongoing.