

September 1st 2011

Landsbanki Íslands hf.

Financial Information – Q2 2011

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

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Estimated Global Recovery

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Estimated Recovery ISKbn	31.3.2011	30.6.2011	FX change	Actual Change in Quarter*	
Cash	408	453	4,3	41,2	10%
Loans to Financial Inst.	68	85	1,1	15,1	22%
Loans to Customers	249	225	2,8	(26,3)	(11%)
Bonds	22	22	0,5	(0,4)	(2%)
Equities	146	146	0,2	(0,7)	(0%)
NBI Financing	331	340	3,9	5,2	2%
Derivatives	15	14	0,0	(0,9)	(6%)
Investment in Subsidiaries	1	1	0,0	0,0	1%
Non current assets	5	4	0,0	(0,9)	(19%)
Total	1.245	1.290	12,9	32,2	3%

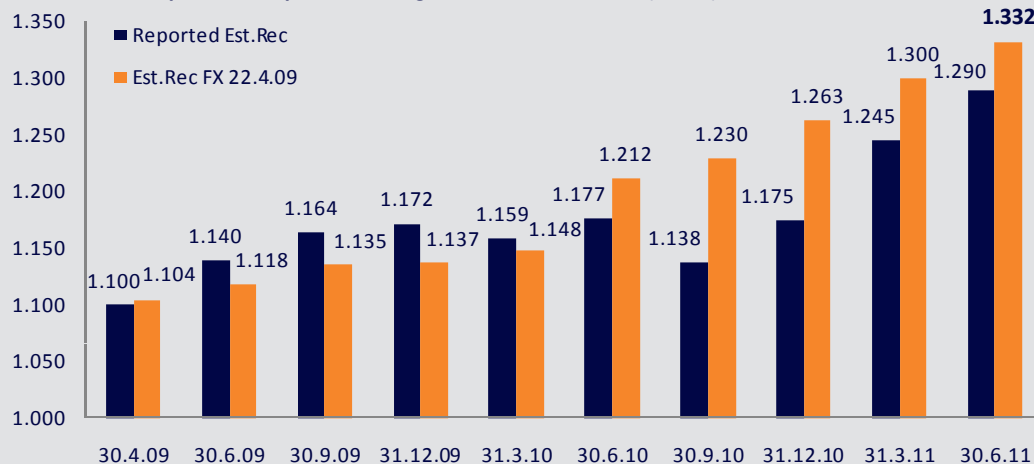
*Actual Change excluding FX variations.

Estimated Global Recovery

- Estimated recovery has increased by ISK 45,1bn in the quarter or 3,6%.
 - Actual estimated recovery increased in the quarter by ISK 32,2bn or 2,6%.
 - FX changes increased estimated recovery in the quarter by ISK 12,9bn or 1%.
- The main changes in estimated recovery are reflected in higher Cash position and increased valuation of Loans to FI, NBI Financing and remaining Loans to Customers.
- Estimated recovery for UK retail assets (in Equities) remains unchanged as of 30.6.2011.

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 (22.4.2009) the estimated recovery has increased by ISK 228bn since 30 April 2009 (see graph) to ISK 1.332bn, which is ISK 13bn higher than priority claims as recorded in balance sheet.
- Not controlling for FX rates and using FX rates as per the reporting date (now 30 June 2011), since 30 April 2009 reported estimated recovery has increased by ISK 190bn and is now 98% of priority claims as recorded in balance sheet.

Statement of Assets and Liabilities

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ISKbn	Recorded balance sheet as of 31.3.2011	Estimated value of assets 31.3.2011	Recorded balance sheet as of 30.6.2011	Estimated value of assets 30.6.2011
Loans to Financial Institutions				
Cash	408	408	453	453
Loans to Financial Institutions	268	68	278	85
Loans to customers	795	249	784	225
Bonds	76	22	73	22
Equities	147	146	147	146
Derivatives	90	15	83	14
Investments in subsidiaries	88	1	88	1
Non-current assets	5	5	4	4
Other assets	6	0	6	0
Total assets without NBI	1.882	914	1.916	950
Financial instrument from NBI				
A Bond	277	277	280	280
Contingent Bond	38	38	46	46
Equity in NBI	28	28	28	28
NBI Equity Claw Back	(12)	(12)	(14)	(14)
Total assets	2.213	1.245	2.256	1.290

Assets

- Recorded balance sheet amounts are 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.
- 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, and may therefore be subject to change in accordance with eventual decisions of the Icelandic Courts, as the case may be.

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
Total liabilities	3.427

FX rates

	22.4.2009	31.3.2011	30.6.2011	%change
CAD:	105,5	117,6	118,5	0,7%
EUR:	169,2	162,1	165,8	2,3%
GBP:	191,1	183,3	183,7	0,2%
USD:	130,7	114,1	114,2	0,0%

Estimated Recovery by Location

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ISKbn	Reykjavik		London		Amsterdam		Labki/Halifax		Total		%
	31.3.11	30.6.11	31.3.11	30.6.11	31.3.11	30.6.11	31.3.11	30.6.11	31.3.11	30.6.11	Change
Loans to Financial Institutions											
Cash	174	188	162	184	56	67	16	14	408	453	11%
Loans to Financial Institutions	65	78	3	6	0	0	0	0	68	85	24%
Loans to Customers	72	68	117	102	39	32	21	24	249	225	(9%)
Bonds	0	0	22	22	0	0	0	0	22	22	0%
Equities	136	136	11	10	0	0	0	0	146	146	(0%)
Derivatives	15	14	0	0	0	0	0	0	15	14	(6%)
Investments in Subsidiaries	1	1	0	0	0	0	0	0	1	1	1%
Non-current Assets	5	4	0	0	0	0	0	0	5	4	(19%)
Total assets without Instrument from NBI	467	488	315	324	95	99	37	38	914	950	4%
NBI A Bond	277	280							277	280	1%
NBI Contingent Bond	38	46							38	46	21%
NBI Equity	28	28							28	28	0%
NBI Equity Claw Back	(12)	(14)							(12)	(14)	21%
Total Assets	798	829	315	324	95	99	37	38	1.245	1.290	4%

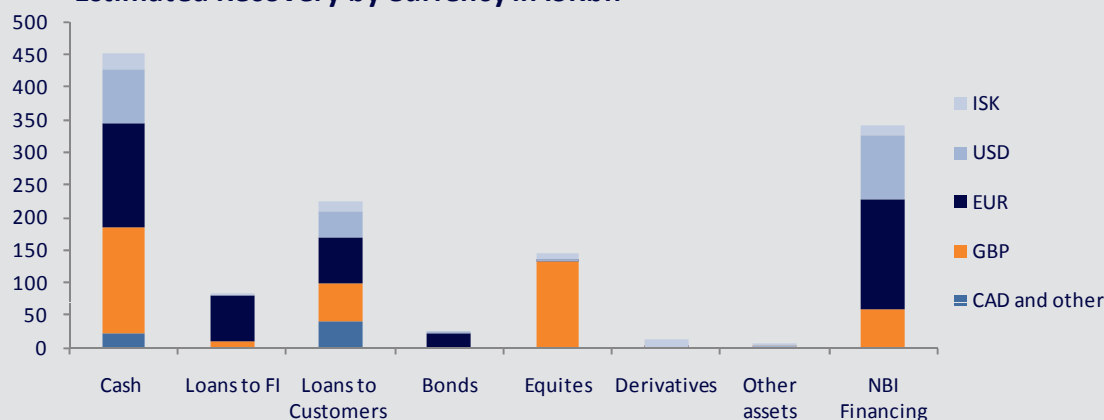
- **Reykjavík:** Estimated recovery increased by ISK 31bn. This increase is mainly due to higher valuation of Loans to FI and higher valuation and FX changes of NBI Financing.
- **London Branch:** Estimated recovery increased by ISK 9bn. The increase is mainly due to higher valuation of Loans to Customers and Loans to FI.
- **Amsterdam:** Estimated recovery of Loans to customers increased by ISK 4bn. Cash increased by ISK 11bn, thereof ISK 1,3bn is attributable to FX changes.
- **Labki/Halifax:** No material changes. Slight decrease in cash due to seasonal drawdowns on credit facilities in Fisheries sector.

LBI Estimated Recovery by Currency

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ISKbn	ISK		USD		EUR		GBP		CAD		Other		Total	
	31.3.11	30.6.11	31.3.11	30.6.11	31.3.11	30.6.11	31.3.11	30.6.11	31.3.11	30.6.11	31.3.11	30.6.11	31.3.11	30.6.11
Cash	25	25	71	83	138	160	150	164	11	6	11	15	408	453
Loans to FI	0	0	0	0	59	75	9	9	0	0	0	0	68	85
Loans to Customers	16	15	46	41	81	70	65	57	22	25	19	17	249	225
Bonds	0	0	1	0	22	22	0	0	0	0	0	0	22	22
Equities	10	9	3	3	0	0	134	133	0	0	0	0	146	146
Derivatives	15	14	0	0	0	0	0	0	0	0	0	0	15	14
Other assets	2	2	3	2	0	0	0	0	0	0	0	0	6	5
Total excl. NBI	69	66	124	129	299	327	359	364	33	31	30	32	914	950
NBI A Bond	0	0	84	84	142	145	51	51	0	0	0	0	277	280
NBI Contingent Bond	0	0	11	14	19	23	8	9	0	0	0	0	38	46
NBI Equity	28	28	0	0	0	0	0	0	0	0	0	0	28	28
NBI Equity Claw Back	(12)	(14)	0	0	0	0	0	0	0	0	0	0	(12)	(14)
Total assets	85	80	220	227	460	495	417	424	33	31	30	32	1.245	1.290

Estimated Recovery by Currency in ISKbn

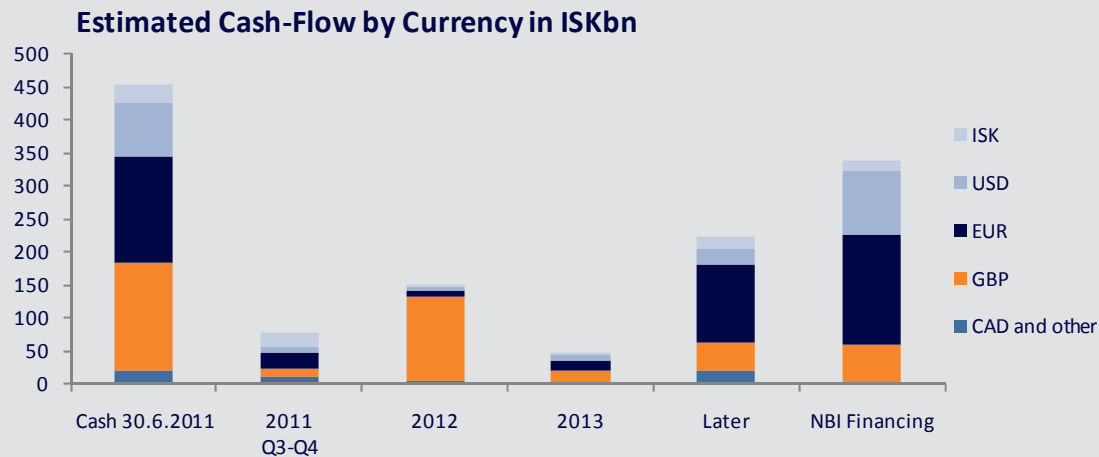


- Main changes in estimated recovery by currency between periods:
 - Numbers as per reporting date.
 - ISK reduced from 85bn to 80bn or from 7% to 6% mainly due to NBI Equity Claw Back right. Agreement with Pension funds on Derivatives has not been accounted for, will reduce ISK and increase EUR by ISK 6bn.
 - EUR increased from 460bn to 495bn, mainly due to increase in estimated recovery of Loans to FI and Contingent Bond, also FX changes.
 - GBP increased from 417bn to 424bn, mainly due to increase in estimated recovery of Loans to Customers and Contingent Bond.

Estimated Recovery Cash-Flow by Currency

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ISKbn	Cash 30.6.2011	2011 Q3-Q4	2012	2013	Later	NBI Payments	Contingent Bond	Total
ISK	25	19	3	1	20	14	0	83
USD	83	8	7	9	22	84	14	227
EUR	160	25	7	14	120	144	23	492
GBP	164	14	129	18	40	51	9	424
CAD and other	21	11	6	4	22	0	0	63
Total assets	453	77	151	46	225	293	46	1.290



- ISK 453bn has already been collected in cash. Cash collection has been faster than expected, mainly due to early payments of Loans to Customers.
- Principal payments of the A-bond and the Contingent bonds (NBI Financing) starts according to the terms of the bonds in January 2014.

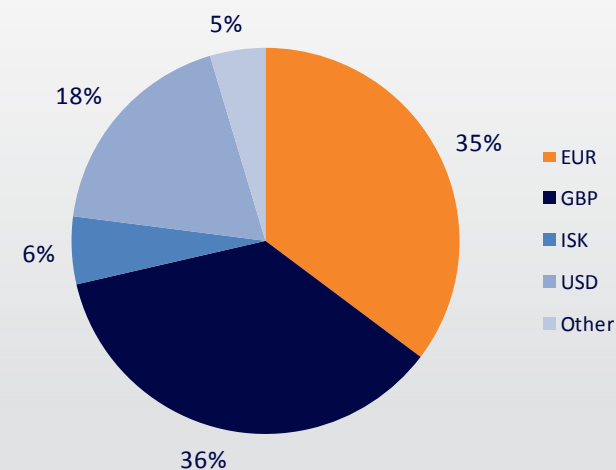
Treasury

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Cash Balances - Using Currency Exchange Rates 30.6.2011

Currency	In currency m			ISKbn		
	31.3.2011	30.6.2011	Change in Quarter	31.3.2011	30.6.2011	Change in Quarter
AUD	15	15	0	1,8	1,8	0,0
CAD	96	52	-44	11,3	6,2	-5,2
DKK	261	384	124	5,8	8,5	2,7
EUR	854	963	109	141,6	159,6	18,0
GBP	820	892	72	150,7	163,9	13,2
ISK	25.405	25.491	86	25,4	25,5	0
USD	623	728	104	71,2	83,1	11,9
Other				3,8	4,5	0,7
Total ISKbn				411,6	453,1	41,5

Currency Composition of Cash Balances 30.6.2011



Cash Recovery by Location

Location	31.3.2011	30.6.2011	Change in Quarter
Reykjavik	175,7	187,9	12,2
London	162,7	183,8	21,1
Amsterdam	57,1	67,2	10,2
Labki/Halifax	16,1	14,2	-1,9
Total ISKbn	411,6*	453,1	41,5

*Using exchange rates 31.3.2011 the total amount would be ISK 407,6bn

- Cash balances have increased by 10% excluding FX changes in the period and now amounts to 35% of total expected recovery.
- Cash: The interests income for H1 amounts to ISK 2bn (incl. accruals) compared to 2,1bn for the full year of 2010.

Loans to Financial Institutions - Other

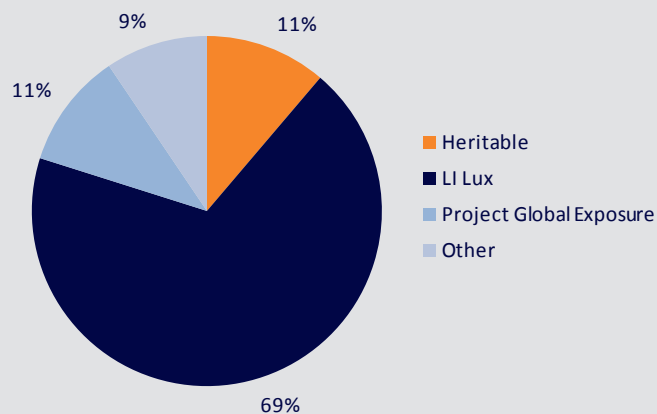
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All amounts in ISKbn	Recorded Balance		Estimated Recovery		Recovery Rate %	
	31.3.2011	30.6.2011	31.3.2011	30.6.2011	31.3.2011	30.6.2011
Heritable bank	15,8	15,8	9,5	9,5	60%	60%
LI Lux	145,8	149,2	48,6	58,0	33%	39%
Project Global Exposure	46,8	53,1	4,9	9,0	10%	17%
Other	59,7	59,7	5,3	8,0	9%	13%
Total ISKbn	268,1	277,8	68,3	84,5	25%	30%

Estimated recovery in Loans to FI increased by 24% during the period.

- Estimated recovery of LI Lux increases due to higher valuation and FX changes.
- Project Global Exposure, estimated recovery increases due to higher valuation .
- Estimated recovery in Other increased due to higher valuation.

Estimated Recovery as of 30.6.2011



Loans to Customers

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All amounts in ISKbn	Recorded Balance		Estimated Recovery		Recovery Rate %	
	31.3.2011	30.6.2011	31.3.2011	30.6.2011	31.3.2011	30.6.2011
Reykjavík	501,6	513,5	72,1	68,0	14%	13%
London Branch	211,2	194,0	116,8	101,5	55%	52%
Amsterdam	54,8	46,7	39,3	31,9	72%	68%
Labki	27,1	29,9	20,8	24,0	77%	80%
Total ISKbn	794,8	784,1	249,0	225,4	31%	29%

Reykjavík

- Estimated recovery decreases due to payments, which is now reflected in Cash position.

London Branch

- Net repayments of ISK 19,5bn decrease estimated recovery, offset by increase in valuation and FX changes.

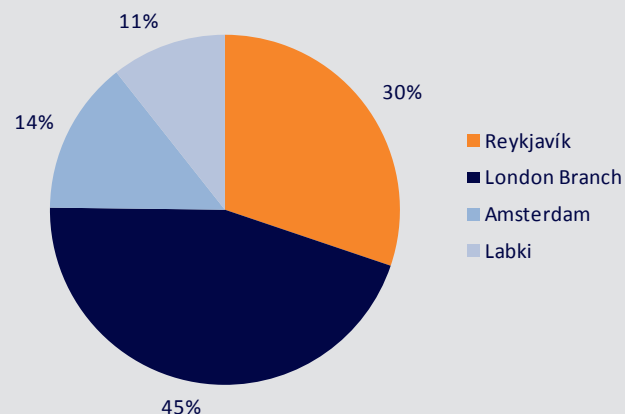
Amsterdam

- Estimated recovery reduces by ISK 9,4bn due to repayments, offset by increase in valuation and FX changes.

Labki

- Exposure and estimated recovery increases due to seasonal drawdowns on credit facilities in Fisheries sector.

Estimated Recovery as of 30.6.2011



Loans to Customers by Sector

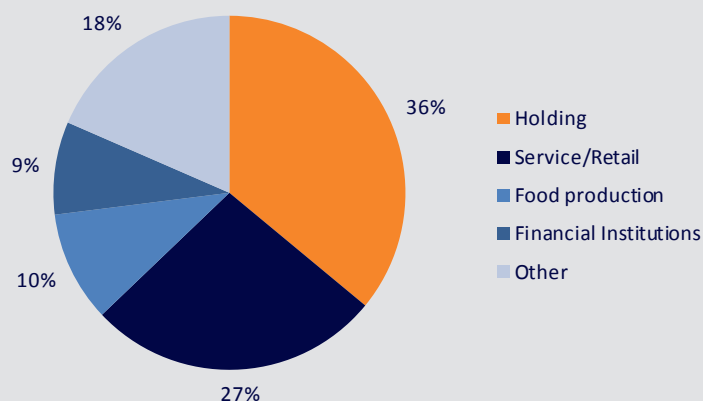
Reykjavik

Sector	Loan Exposure		Estimated Recovery		Recovery Rate %	
	31.3.2011	30.6.2011	31.3.2011	30.6.2011	31.3.2011	30.6.2011
Holding	244,1	258,5	21,5	24,5	9%	9%
Service/Retail	138,9	144,3	20,1	18,3	14%	13%
Food Production	38,7	31,1	8,9	6,9	23%	22%
Financial Institutions	11,8	11,7	6,0	5,8	51%	50%
Other	68,1	67,9	15,5	12,6	23%	19%
Total ISKbn	501,6	513,5	72,1	68,0	14%	13%

Change in Estimated Recovery:

- Holding increase is mainly due to reclassification of assets within Loans to Customers from Food Production sector.
- Service/Retail decrease due to payments, offset by higher valuation.
- Food Production decrease is mainly due to reclassification of assets within Loans to Customers to Holding sector and payments.
- No major changes in Financial Institutions.
- Decrease in Other is mainly due to payments.

Estimated Recovery as of 30.6.2011



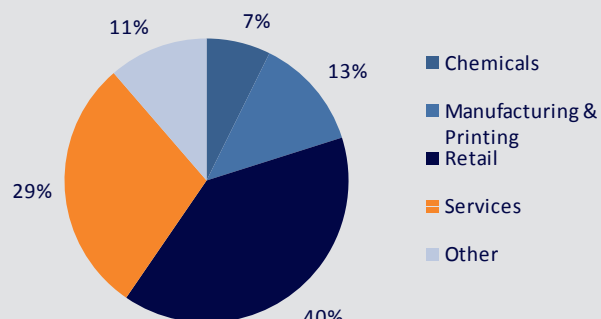
Loans to Customers by Sector, cont.

London

All amounts in ISKbn	Loan Exposure		Estimated Recovery		Recovery Rate%	
	31.3.2011	30.6.2011	31.3.2011	30.6.2011	31.3.2011	30.6.2011
Leveraged Finance	148,7	144,3	62,2	58,5	42%	41%
Trade Finance	0,8	0,3	0,8	0,3	98%	100%
Commercial Finance	42,9	31,3	35,5	24,6	83%	79%
Commercial Finance US	18,8	18,1	18,3	18,1	97%	100%
Balance Sheet total	211,2	194,0	116,8	101,5	55%	52%

Sector	Loan Exposure		Estimated Recovery		Recovery Rate%	
	31.3.2011	30.6.2011	31.3.2011	30.6.2011	31.3.2011	30.6.2011
Chemicals	75,3	77,0	6,6	7,4	9%	10%
Manufacturing & Printing	30,6	18,7	23,7	13,0	78%	70%
Retail	54,6	49,4	43,9	40,0	80%	81%
Services	37,4	34,9	32,0	29,5	86%	85%
Other	13,3	13,9	10,5	11,5	79%	83%
Total ISKbn	211,2	194,0	116,8	101,5	55%	52%

Estimated Recovery as of 30.6.2011



Exposure and recovery decrease due to net repayments of ISK 19,5bn, partly offset by positive valuation movements (ISK 3,3bn) and FX (ISK 0,8bn).

- **Leverage:** Loans repaid all at estimated recovery or better. ISK 6,7bn cash recoveries.
- **Trade Finance:** Loans fully repaid, only one loan remains .
- **Commercial Finance:** Loans fully repaid at par, ISK 12,0bn cash recovered in quarter.
- **Commercial Finance US:** Reduction due to net repayments.
- **Sectors:** No general sector concerns. Increased estimated recovery due to valuation/FX changes (Chemicals and Other).

Loans to Customers by Sector, cont.

Amsterdam, Labki/Halifax

Amsterdam Sector	Loan Exposure		Estimated Recovery		Recovery Rate%	
	31.3.2011	30.6.2011	31.3.2011	30.6.2011	31.3.2011	30.6.2011
Chemicals	7,0	6,8	6,8	6,8	98%	100%
Food & Beverage	4,6	1,4	4,4	1,4	98%	100%
Manufacturing & Machinery	18,9	13,4	17,2	12,3	91%	92%
Printing & Publishing	3,4	3,6	2,8	3,0	81%	83%
Retail	4,9	5,1	1,6	1,7	32%	33%
Services	15,9	16,6	6,5	6,8	41%	41%
Total ISKbn	54,8	46,7	39,3	31,9	72%	68%

Amsterdam

- Exposure and estimated recovery decrease due to net repayments, partly offset by increased valuation.
- Estimated recovery of Loans to Customers is now ISK 31,9bn or 32% of total estimated recovery for the branch.

Labki/Halifax Sector	Loan Exposure		Estimated Recovery		Recovery Rate%	
	31.3.2011	30.6.2011	31.3.2011	30.6.2011	31.3.2011	30.6.2011
Chemicals	0,5	0,6	0,2	0,2	35%	36%
Fisheries	25,4	28,0	19,4	22,5	76%	80%
Construction	1,2	1,3	1,2	1,3	98%	100%
Total ISKbn	27,1	29,9	20,8	24,0	77%	80%

Labki/Halifax

- Exposure and estimated recovery decrease due to net repayments but increases due to drawdowns in Fisheries and increased valuation.
- Estimated recovery of Loans to Customers is now ISK 24bn or 63% of total estimated recovery for Labki.

Bonds & Equities

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All amounts in ISKbn	Recorded Balance		Estimated Recovery		Recovery Rate %	
	31.3.2011	30.6.2011	31.3.2011	30.6.2011	31.3.2011	30.6.2011
Reykjavík						
Bonds	16,1	16,2	0,0	0,0	0%	0%
Equities	136,8	136,6	135,6	135,6	99%	99%
London Branch						
Bonds	59,8	57,1	22,2	22,3	37%	39%
Equities	10,6	10,1	10,6	10,1	100%	100%
Total ISKbn	223,2	219,9	168,4	167,9	75%	76%

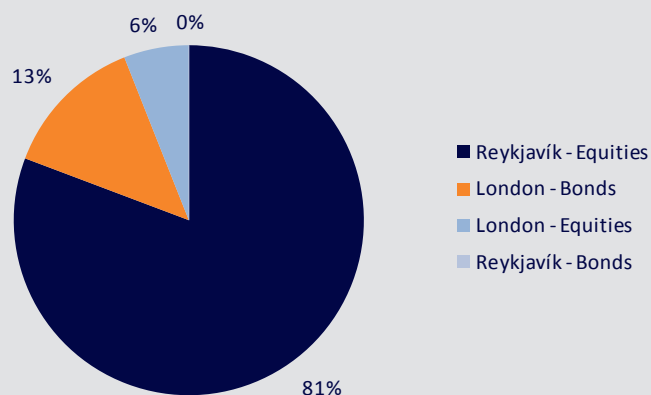
Reykjavík

- No bonds with estimated recovery in Reykjavík.
 - Investments in government bonds (cash equivalent) are reported as cash.
- Estimated recovery of Equities remains ISK 135,6bn, decreased due to sale, offset by valuation increase and FX changes.

London Branch

- Estimated recovery of Bonds increased slightly during the period due to FX, offset by net payments and decreased valuation.
- Estimated recovery of Equities decreased during the period due to sales, partly offset by increased valuation.

Estimated Recovery as of 30.6.2011



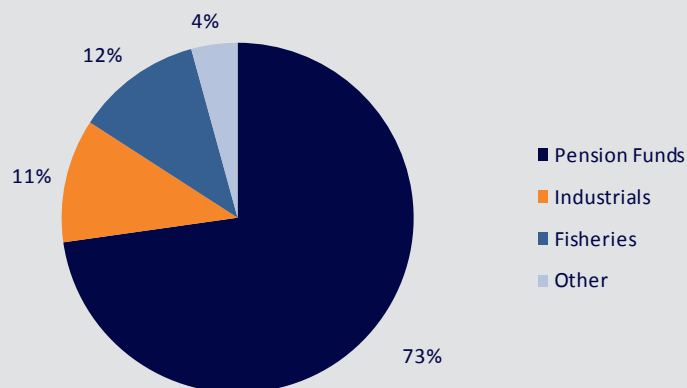
Derivatives

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Sector	Exposure		Estimated Recovery		Recovery Rate %	
	31.3.2011	30.6.2011	31.3.2011	30.6.2011	31.3.2011	30.6.2011
Holding Companies	18,3	18,4	0,0	0,0	0%	0%
Pension Funds	31,9	31,9	10,0	10,0	31%	31%
Industrials	22,7	18,5	2,4	1,6	11%	8%
Fisheries	12,0	9,3	1,7	1,6	14%	17%
Other	4,7	5,2	0,5	0,6	11%	11%
Total	89,6	83,3	14,6	13,7	16%	16%

- Decrease in exposure and estimated recovery due to settlements, including payments and partial write-offs.
- There are no material changes in Holding Companies.
- Estimated recovery in Pension Funds is unchanged but is anticipated to increase by ISK 2bn when agreement with Pension Funds is finally settled.

Estimated Recovery as of 30.6.2011



Investments in Subsidiaries, Non-Current Assets and other assets

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All amounts in ISKbn	Recorded Balance		Estimated Recovery		Recovery Rate %	
	31.3.2011	30.6.2011	31.3.2011	30.6.2011	31.3.2011	30.6.2011
Investment in Subs.	88,4	88,3	1,3	1,3	2%	2%
Non-current assets	4,6	3,7	4,6	3,7	100%	100%
Other assets	5,5	5,5	0,0	0,0	0%	0%
Total ISKbn	98,5	97,5	5,9	5,1	6%	5%

- Estimated recovery of Non-current assets decreased due to sales of assets, partly offset by reclassification (due to enforcement of securities) and increased valuation.

Total Cost

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ISKm	2010				2011		Change	
	Q1	Q2	Q3	Q4	Q1	Q2	YoY	QoQ
Payroll and benefits	942	652	536	524	524	554	(15%)	6%
Administration cost	87	104	92	103	96	104	0%	8%
Legal and other expert costs	1.603	1.335	935	807	760	603	(55%)	(21%)
Sales costs of UK retail assets	0	0	0	0	0	508	100%	100%
Dutch Administration cost & support	82	124	0	0	0	0	(100%)	0%
Other Operational costs	296	171	171	219	217	202	18%	(7%)
SLA cost	146	146	139	139	88	88	(40%)	0%
Distribution by location								
Iceland	1.707	1.454	1.173	1.117	1.084	1.512	4%	39%
London	1.127	713	531	525	469	434	(39%)	(8%)
Canada	76	80	73	74	67	65	(19%)	(3%)
Amsterdam	247	285	96	77	66	48	(83%)	(27%)
Total ISKm	3.157	2.531	1.874	1.793	1.686	2.058	(19%)	22%

- Note that all numbers are in ISKm.
- Cost increased on quarter-on-quarter basis by 22% due to cost related to sale of UK retail assets.
- Payroll and benefits increase slightly due to redundancy payments.
- Increase of salaries in Reykjavík are mainly due to a new wage contract between union of financial companies and employees labour unions.
- Costs of SLA increased slightly, Q1 amounts were based on estimates.
- Costs continues to decrease in all location except Reykjavík where costs increase due to the before mentioned sale of UK retail assets
 - LBI will continue to report these transaction related costs separately

Cost by Location per Quarter in ISKm

