



2017 Q1 Management Accounts – INVESTOR MEETING

14:00 BST – 24 MAY 2017

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- LBI ehf. (formerly Landsbanki Íslands hf.) (“LBI”) was in winding-up proceedings in accordance with the provisions of Act no. 161/2002 on Financial Undertakings as amended until 25 December 2015, when a composition agreement between LBI ehf. and its creditors became effective and binding in accordance with Icelandic law (the “Composition Agreement”).
- The Information contain a summary of some of the principal issues concerning the Company but is not necessarily and should not be regarded as an exhaustive list of all developments which Noteholders may consider material.
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KEY DEVELOPMENTS IN Q1 2017

- LBI received in Q1 an undisclosed sum from PwC as a settlement of a damages case before the Reykjavik District Court. Such sum was included in the 5 April Convertible Note redemption payment.
- LBI took over the operation of a UK based services company in 2011 and on 13 January 2017 completed a successful sale of the company with full payment of loan exposure of EUR 5.2 million and an upside in equity value of EUR 3.3 million which was also paid. Payment of total EUR 8.5 million was included in the 5 April Convertible Note redemption payment.
- LBI lost its unsettled derivatives case against Raiffeisen in the UK Royal Courts of Justice on 20 March 2017 and has since sought permission to appeal the judgement.
- On 14 March 2017 Landsbankinn fully prepaid outstanding LB Bonds Series 2020 and partially prepaid LB Bonds Series 2024 with a total payment of USD 284.1 million (including accrued interest).
- In March 2017 LBI paid the Special Financial Administration Tax from the ISK Priority Claims Reserve Fund and as specified priority claims had all been resolved LBI returned to the CBI the remainder of the ISK Priority Claims Reserve Fund.
- In relation with fully exhausting the ISK Priority Claims Reserve Fund, LBI secured the right to retain funds received from ISK "Retained Assets" (0-value assets) until third-party claims to such funds are resolved (now only payment from Brim hf. of ISK 2.1 billion or EUR 17.1 million held on Restricted cash. Liability for Additional Stability Contribution of the same amount also booked).

DRIVERS OF FINANCIAL CHANGE IN Q1 2017

ASSET CATEGORIES	31/12/2016	NET CASH RECEIVED	FX CHANGE	VALUE-CHANGE	INCOME	OPERATING EXPENSES	STABILITY CONTRIB. AND TAX	NOTE REDEMP.	RESERVE AND OTHER REVERSALS	31/03/2017
Cash	42,425	299,700	(5,747)		3	(9,673)			331	327,038
Restricted cash	89,757		1,552		(20)		(54,039)			37,251
Landsbankinn term deposit ...	141,540	(548)	(165)		548					141,375
Landsbankinn bonds	420,197	(269,962)	(3,702)		3,534					150,067
Loans to customers	48,194	(11,646)	(118)	979	42					37,451
Equities and bonds	5,763	(3,612)	(75)	650						2,727
Claims on bankrupt estates ...	80,789	(4,603)	(37)							76,149
Other assets	32,412	(9,329)	(93)	28,326						51,316
Other receivables	1,097		16							1,113
TOTAL	862,175	0	(8,369)	29,954	4,107	(9,673)	(54,039)	0	331	824,486

- Net cash of EUR 299.7 million was realised over the quarter, the largest contributors were:
 - Payments on Landsbanki bonds of EUR 270.0 million
 - Loans to customers with receipts of EUR 11.6 million
- The total valuation increase of EUR 30.0 million includes EUR 6.1 million increase due to settlement with Kaupthing and EUR 13.1 million increase resulting from settlement with Glitnir as described on page 5.
- Restricted cash reduced by EUR 54.0 million against liabilities, consisting of Special Financial Administration Tax of EUR 20.3 million and EUR 33.3 million ISK Priority Claims Reserve Fund as an Additional Stability Contribution.
- Receipts of EUR 3.6 million in Equities and bonds consists mainly of proceeds from the sale of a UK Services company in the period.
- EUR 4.6 million received in Claims on bankrupt estates is due to a payment from the Baugur estate.

KEY EVENTS AFTER THE BALANCE SHEET DATE

- On 5 April 2017, LBI made a EUR 299.2 million redemption payment on the Convertible Notes.
- On 18 April 2017, LBI and Kaupthing settled a long-running claim dispute. Results of this settlement increase the value of recoveries by EUR 6.1 million (Other assets) in the period. Kaupthing's Art. 110 priority claim into LBI's estate had previously been withdrawn.
- On 3 May 2017, LBI received dividend payment from Landsbanki Luxembourg estate of EUR 3.4 million due to partial release of cash reserves for disputed damage claims made against the estate. LBI had already incorporated the value of Landsbanki Luxembourg's cash reserves when estimating its recoveries in Q1.
- On 11 May 2017, LBI lost its rescission case against LGT Bank Ltd. The Court found that the payment appeared ordinary under the circumstances as the terms of the bonds stated that LBI could buy back securities without limitation, and did so to a substantial degree between 2006 and 2008. The Court furthermore supported its decision on the basis that financial institutions from routinely purchase their own bonds before maturity. Cost was not awarded to either side.
- On 12 May 2017, LBI and Glitnir hf. settled a dispute surrounding certain claims and counterclaims related to guarantees provided on loans to a third party. Glitnir furthermore withdrew a priority claim lodged under Art. 109 of the Icelandic Bankruptcy Act. As a result of this settlement, the estimated recovery of Other assets was increased by EUR 13.1 million.

PRO FORMA BOOK VALUE OF THE OUTSTANDING CONVERTIBLE NOTES AT END Q1 2017

TOTAL ASSET VALUE AS OF 31 MARCH 2017	824,486
LESS: ISK ASSETS SUBJECT TO STABILITY CONTRIBUTION	(17,064)
LESS: OTHER LIABILITIES	(2,787)
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CONVERTIBLE NOTE BOOK VALUE AS OF 31 MARCH 2017	804,635
LESS: 5 APRIL 2017 CONVERTIBLE NOTE REDEMPTION PAYMENT	(299,167)
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PRO FORMA CONVERTIBLE NOTE BOOK VALUE AS OF 31 MARCH 2017	505,468
NOMINAL VALUE OF CONVERTIBLE NOTES AS OF 5 APRIL 2017	1,008,350
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IMPLIED RECOVERY OF CONVERTIBLE NOTES OUTSTANDING AS OF 5 APRIL 2017	50.1%
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- Above numbers are on pro forma basis only and do not adjust for post Q1 2017 events other than the 5 April redemption and also the Kaupthing and Glitnir settlements.
- The numbers include cash (in both FX and ISK) that is expected to be spent on operational expenses.

CASH AND RESTRICTED CASH

CASH	31/03/2017	31/12/2016	RESTRICTED CASH	31/03/2017	31/12/2016
Non-ISK.....	321,147	31,420	ISK Priority Claims Reserve Fund.....	0	52,283
ISK Opex Reserve Fund.....	5,891	11,005	ISK cash with respect to Retained Assets.....	17,064	17,265
TOTAL	327,038	42,425	Indemnity Fund.....	19,929	19,949
			Trustee Indemnity Fund.....	257	260
			TOTAL	37,251	89,757

- Cash
 - Non-ISK cash at end of Q1 2017 amounted to EUR 321.1 million.
 - ISK Opex Reserve Fund of EUR 5.9 million is expected to be depleted during 2017.

- Restricted cash
 - ISK Priority Claims Reserve Fund was depleted in March 2017 by a payment of the Special Financial Administration Tax for 2015 and an Additional Stability Contribution.
 - ISK cash with respect to Retained Assets is due to ISK payment from Brim hf. and will be held until reservations on potential repayment and/or claims for damages have been exhausted. This ISK cash is subject to an unpaid Additional Stability Contribution of same amount (liability at end of Q1 2017).

LANDSBANKINN TERM DEPOSITS AND BONDS

	31/03/2017	31/12/2016
Term deposit with Landsbankinn (EUR).....	72,609	72,610
Term deposit with Landsbankinn (GBP).....	56,405	56,431
Term deposit with Landsbankinn (USD).....	12,360	12,500
TOTAL	141,375	141,540
Bond Series 2020 (USD).....	0	161,390
Bond Series 2024 (USD).....	150,067	258,807
TOTAL	150,067	420,197

- The contractual maturity on the outstanding Term deposit is 9 October 2018
- The Libor plus 150 bps contractual interest on the Term deposit is currently above the bank's market rate
- Landsbankinn has publicly stated in its funding plan for 2017 that it intends to fully repay the remainder of outstanding Series 2024 in year 2017.

LOANS TO CUSTOMERS, EQUITIES AND BONDS

LOANS TO CUSTOMERS BY SECTOR	31/03/2017	31/12/2016	LOANS TO CUSTOMERS BY COUNTRY	31/03/2017	31/12/2016
Real Estate.....	28,190	29,518	UK.....	20,503	26,988
Services.....	5,725	10,882	France.....	6,250	6,250
Retail.....	2,034	6,017	Germany.....	661	4,643
Other.....	1,501	1,778	Netherlands.....	20	20
			Other Europe.....	10,017	10,293
TOTAL	37,451	48,194	TOTAL	37,451	48,194

- Estimated recovery for Real estate lending is mainly loans (i) whose collateral has been already sold (or is in contract for sale) but where proceeds will not be released to LBI until certain legal proceedings in Iceland are finished and (ii) loans whose collateral will be sold by a UK bankruptcy trustee.
- Estimated recovery for Services reduces by EUR 5.1 million mainly as leveraged lending to a service company in the United Kingdom was fully repaid in the period. Largest remaining loan in Services is to a Swedish telecommunications company and is expected to be fully repaid in Q3 2017.
- Estimated recovery for Retail reduces in the period by EUR 4.0 million, mainly due to sale of syndicated loan to a company in the German retail sector.
- Estimated recovery for Other is mainly based on expected payments from small K/S loans and individual investors of dissolved K/S-structures.

CLAIMS ON BANKRUPT ESTATES - LANDSBANKI LUXEMBOURG

- Estimated recoveries on claims against the Landsbanki Luxembourg estate was increased in Q4 2016 by EUR 18.7 million to EUR 74.4 million based on reassessment of underlying collateral value against outstanding balances on a case-by-case basis.
- Cash release in the table represents the portion of the original proceeds which were made available in cash or in the form of a repayment on an existing mortgage.

LOCATION AND CLIENTS		OUTSTANDING LOAN BALANCE		ESTIMATED COLLATERAL VALUE	LESSER OF BALANCE OR COLLATERAL VALUE	
LOCATION	# CLIENTS	CASH RELEASE	TOTAL	TOTAL	CASH RELEASE	TOTAL
France	66	58.1	143.8	111.2	56.4	99.1
Spain	207	58.5	142.7	106.2	51.0	98.4
Other	2	.7	.9	.6	.4	.6
TOTAL	275	117.3	287.4	218.0	107.9	198.2

- The table above does not take into account continuing administrative and legal expenses, expected cost of enforcements and sales, discounts for distressed sales, or potential claims from third parties. Some of such costs may be covered by existing cash reserves held by the administrator.
- Potential increased involvement of LBI [in] the collection of these assets is on hold until the outcome of the French criminal court proceedings which are scheduled to end on 24 May 2017.
- In May 2017, LBI received dividend payment from LI Lux estate of EUR 3.4 million which was due to reduced cash reserves for disputed damage claims made against the estate.

OTHER ASSETS - UNSETTLED DERIVATIVES

COUNTERPARTY	CONTRACT	UNRESOLVED MATTER	JURISDICTION	BALANCE
Raiffeisen Zentralbank	GMRA / GMSLA	Valuation / Close-out	UK	14,751
HSBC	Nostro Account	Set-off	Italy	6,158
Commerzbank	GMRA / Nostro Account	Valuation / Set-off	Iceland / Germany	4,946
KAS Bank	GMSLA	Valuation	Iceland / UK	3,091
Financial Institution	GMSLA	Rescission Claim / Set-off	Iceland / UK	2,180
BNP Paribas	Deposit Account	Potential 3rd party claims	Belgium	1,768
Corporate Entity	ISDA	Suspended payment	UK	1,490
Commerzbank (Dresdner)	ISDA / Nostro Account	Valuation / Set-off	Iceland / Germany	339
			TOTAL	34,723

- LBI lost its case against Raiffeisen in the UK Royal Courts of Justice on 20 March 2017 and has since sought permission to appeal the judgement.
- LBI has recently filed its claim against HSBC with the Milan Court; the dispute was before the Icelandic District Courts until HSBC withdrew their claim in 2015.
- Procedural hearing on counterclaims lodged by LBI on both the Commerzbank and KAS Bank cases were conducted on 9 May 2017 before the District Court of Reykjavik. Ruling on the counterclaims is expected soon.

OTHER ASSETS – CLAIMS ON ENTITIES WHICH HAVE CONCLUDED THEIR REPECTIVE WINDING-UP PROCEEDINGS

▪ Glitnir

- On 12 May 2017, LBI and Glitnir hf. settled a dispute surrounding certain claims and counterclaims related to guarantees provided on loans to a third party. As a result of this settlement, the estimated recovery of other assets was increased by EUR 13.1 million. The settlement involved Glitnir's withdrawal of a priority claim.
- Glitnir's cash payments of EUR 14.3 million, USD 9.2 million, NOK 31 million and GBP 2.7 million have already been received and will be included in the 15 June 2017 Scheduled Note payment. LBI is evaluating when to sell the remaining bond received of nominal amount EUR 1.7 million and the related ordinary shares.

▪ Kaupthing

- On 18 April 2017, LBI and Kaupthing settled a disputed claim. Kaupthing's disputed Art. 113 claim, initially filed in the amount of ISK 9.2 billion, was approved by LBI in the amount of ISK 6.0 billion. The claim has been paid by means of a set-off against LBI's already-allowed claim against Kaupthing of ISK 9.7 billion. This leaves LBI with an Art. 113 claim against Kaupthing of ISK 3.7 billion. The results of this settlement provided EUR 6.1 million uplift to estimated recoveries (Other assets) in Q1. Kaupthing's Art. 110 priority claim into LBI's estate had previously been withdrawn.
- Kaupthing's cash payments of EUR 2.2 million and GBP 2.1 million are expected before end of May and would on that basis be included in the 15 June 2017 Scheduled Note payment. Remaining bond received of nominal amount GBP 4.2 million and the related shares are expected to be sold before end Q2 2017.

VOIDING CASES – 19 BOND BUY-BACK CASES

- On 11 May 2017, the Supreme Court of Iceland ruled against LBI in the rescission case against LGT Bank Ltd.

The Court affirmed the ruling of the District Court of Reykjavik on principally the same grounds.

The Court found that the payment appeared ordinary under the circumstances as the terms of the bonds stated that LBI could buy back securities without limitation and actually did so to a substantial degree between 2006 and 2008. The Court furthermore supported its decision on the basis that financial institutions routinely purchase their own bonds before maturity.

Cost is not awarded to either side.

LBI is currently reviewing the effects of Supreme's Court ruling on remaining 18 voiding/bond buy-back cases.

OTHER LEGAL DISPUTES BEFORE COURTS

- Damages cases (D&O cases)
 - LBI has brought three cases against individuals who held a management or Board position with LBI before it became insolvent. In these cases, damages are additionally sought from the liability insurers of LBI. Total principal sum that can be sought from the liability insurers from all of these three cases combined is EUR 50 million. The next instance for evaluating potential progress in these cases is at an early-June procedural hearing in the District Court of Reykjavik.
- Kevin Stanford
 - LBI has argued that Stanford's damages/set-off claim against LBI was brought too late. We expect that the District Court of Reykjavik will hold hearings on this question before end of Q2 2017. Should LBI lose on this argument, the District Court will then consider actual merits of Stanford's claim in further proceedings.
- Disputed Art. 113 claims
 - **FSCS**. In process before the District Court of Reykjavik. Next hearing on 1 September 2017.
 - **Money Market cases (223 cases)**. In process before the District Court of Reykjavik. Counterparties' requested appraisal work might be finished before end Q2 2017.
- Contingent Art. 113 claims
 - **FSCS**. Finally approved Art. 113 claim but contingent upon outcome of recoveries from Heritable Bank estate.
 - **Giroux**. Finally approved Art. 113 claim but contingent upon outcome in damage case LBI has brought against the Giroux family.

RESERVES ON ESCROW TOWARDS DISPUTED AND CONTINGENT ART. 113. CLAIMS

CASE OR CASE GROUP	JURISDICTION	DMP ON ESCROW	REDEMPTIONS ON ESCROW	OUTSTANDING NOMINAL	TOTAL RESERVES	COMMENTS
FSCS - Interest on Heritable	Iceland		6,877	6,934	13,810	Claim for interest under a guarantee provided by LBI for Heritable, with the District Court
Bond buy-back (14 cases)	Iceland	107	4,610	4,648	9,365	LBI lost its rescission case LGT Bank Ltd.at the Icelandic Supreme Court on 11 May 2017
Money Market claims (223 cases)	Iceland	2,297	1,891	1,907	6,096	Majority of cases are on hold pending results of a few cases active with the District Court
Commerzbank	Iceland		3,736	3,767	7,502	Disputed GMRA and ISDA closeouts where LBI has counterclaims with District Court
Goldman Sachs	Iceland		2,387	2,407	4,794	Disputed ISDA closeout with the District Court
Contingent Heritable claims (67)	N/A	786	1,560	1,573	3,920	Awaiting final distribution by the Heritable Bank administrators
Giroux (2 cases)	France	24	921	928	1,873	Partially contingent damage claims, not on balance sheet, proceedings in France
KAS Bank	Iceland	12	637	643	1,292	Disputed GMSLA claim and counterclaim with the District Court
Other disputed cases (2 cases)	Iceland		1,435	1,447	2,881	With the District Court of Reykjavik
TOTAL CONTINGENT		810	2,382	2,402	5,595	
TOTAL DISPUTED		2,417	21,671	21,851	45,938	
TOTAL RESERVES		3,227	24,053	24,253	51,533	

- The table above shows amounts taking into account redemption on 5 April 2017.
- One case in the “Other disputed cases” has been reversed in the period.

MONETISATION PLAN FOR NEXT 12 MONTHS

ASSET CATEGORIES	2017			2018	TOTAL
	Q2	Q3	Q4	Q1	
Landsbankinn term deposit	557	557	551	545	2,212
Landsbankinn bonds	423	1,480	1,496	1,496	4,896
Loans to customers	1,745	7,042	1,519	2,607	12,913
Equities and bonds	2,473		254		2,727
Claims on bankrupt estates	3,400	0	163	1,631	5,194
Other assets and other sources	37,039	7,957			44,995
TOTAL	45,636	17,037	3,984	6,279	72,936

AMOUNTS IN EUR EQUIVALENT	2017			2018	TOTAL
	Q2	Q3	Q4	Q1	
USD	9,036	9,521	1,579	1,578	21,714
GBP	11,366	495	1,352	2,353	15,566
EUR	21,352	6,625	210	2,243	30,429
Other	3,883	396	843	105	5,227
TOTAL	45,636	17,037	3,984	6,279	72,936

- Monetisation in Q2 2017 has included payments from settlement agreements with Glitnir and Kaupthing (in Other assets),
- Largest part of remaining Equities has already been monetised in May 2017.
- On May 3 LBI received dividend payment from LI Lux estate of EUR 3.4 million.
- Largest remaining corporate loan is to a Swedish telecommunications company is expected to be fully repaid in EUR in Q3 2017.

UPCOMING

- Based on events so far we expect that the 15 June 2017 distribution will be around EUR 40 million.

Q&A