



2017 Q2 Management Accounts – Investor Call

14:00 GMT – 30 AUGUST 2017

DISCLAIMER

- 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.
- Without prejudice to liability for fraud, LBI accepts no responsibility for the accuracy or completeness of any Information and, without limitation to the foregoing, disclaims any liability which may be based on the accuracy or completeness of this presentation, modification of the presentation or any use or inability to use this Information. No representation, warranty or undertaking, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the Information or the opinions contained herein and therein.
- LBI and its employees are under no circumstances responsible for any damage or loss which may occur as a result of any of the Information. LBI and its employees do not accept any liability in any event including (without limitation) any damage or loss of any kind which may arise including direct, indirect, incidental, special or consequential damages, expenses or losses arising out of, or in connection with the use or inability to use the Information.
- LBI is under no obligation to make amendments or changes to this publication if errors are found or opinions or information change.
- Nothing in this presentation should be relied upon by any person for any purposes including, without limitation, in connection with investment decisions relating to LBI. LBI accepts no responsibility for any such reliance.

KEY DEVELOPMENTS IN Q2 2017

- 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. The settlement resulted in the collection of cash equivalent to EUR 7.4 million in the period including proceeds from the sale of bond received.
- 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.
- 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 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. As a result of this settlement, LBI collected cash equivalent to EUR 29.0 million in the reporting period. Glitnir furthermore withdrew a priority claim lodged under Art. 109 of the Icelandic Bankruptcy Act.
- On 15 June 2017, LBI made a EUR 43.6 million redemption payment on the Convertible Notes.
- On 22 June 2017, Landsbankinn fully prepaid outstanding LB Bonds Series 2024 with a total payment of USD 161.3 million (including accrued interest).

DRIVERS OF FINANCIAL CHANGE IN Q2 2017

ASSET CATEGORIES	01/04/2017	Net cash received	FX change	Value-change	Income	Operating expenses	Stability Contrib. and Tax	Note Redemption	Reserve and other reversals	30/06/2017
Cash	327,038	194,291	(3,135)		(24)	(6,914)		(342,783)	1,603	170,076
Restricted cash	37,251		410		(23)					37,637
Landsbankinn term deposit ...	141,375	(549)	(2,162)		543					139,207
Landsbankinn bonds	150,067	(144,881)	(6,514)		1,328					0
Loans to customers	37,451	(7,743)	(635)	2,922	326					32,320
Equities and bonds	2,727	(1,273)	(6)	(32)						1,415
Claims on bankrupt estates ...	76,149	(3,385)	(50)	211			(1,000)			71,925
Other assets	51,316	(36,459)	(1,030)	(324)						13,504
Other receivables	1,113		314							1,427
TOTAL	824,486	0	(12,807)	2,777	2,149	(6,914)	(1,000)	(342,783)	1,603	467,512

- Net cash of EUR 194.3 million was realised over the quarter, the largest contributors were:
 - Payments on Landsbanki bonds of EUR 144.9 million
 - Other assets with receipts of EUR 36.5 million
 - Loans to customers with receipts of EUR 7.7 million
- The valuation increase of EUR 2.9 million under Loans to customers includes revised expected recoveries on several exposures.

KEY EVENTS AFTER THE BALANCE SHEET DATE

- On 21 July 2017, LBI made a EUR 146.6 million redemption payment on the Convertible Notes.

PRO FORMA BOOK VALUE OF THE OUTSTANDING CONVERTIBLE NOTES AT END Q2 2017

TOTAL ASSET VALUE AS OF 30 June 2017	467,512
LESS: ISK ASSETS SUBJECT TO STABILITY CONTRIBUTION	(17,490)
LESS: OTHER LIABILITIES	(2,233)
<hr/>	
CONVERTIBLE NOTE BOOK VALUE AS OF 30 JUNE 2017	447,789
LESS: 21 JULY 2017 CONVERTIBLE NOTE REDEMPTION PAYMENT	(146,562)
<hr/>	
PRO FORMA CONVERTIBLE NOTE BOOK VALUE AS OF 30 JUNE 2017	301,228
NOMINAL VALUE OF CONVERTIBLE NOTES AS OF 21 JULY 2017	815,016
<hr/>	
IMPLIED RECOVERY OF CONVERTIBLE NOTES OUTSTANDING AS OF 21 JULY 2017	37.0%
<hr/>	

- Above numbers are on pro forma basis only and do not adjust for post Q2 2017 events other than the 21 July redemption and cancellations of EUR 1.2 million in Convertible Notes before that date.
- The numbers include cash (in both FX and ISK) that is expected to be spent on operational expenses.

OPERATIONAL EXPENSES

BUDGET FOR 2017	1/4 - 30/6	1/1 - 31/3
Budgeted operating expenses	3,352	4,420
Actual operating expenses	6,060	4,909
DIFFERENCE	(2,708)	(489)

SALARIES AND RELATED EXPENSES	1/4 - 30/6	1/1 - 31/3
Salaries.....	3,117	1,469
Pension fund.....	325	169
Other salary related expenses.....	223	111
TOTAL	3,665	1,749
Of which: ISK.....	1,097	1,024
Of which: non-ISK.....	2,568	725
TOTAL	3,665	1,749

GENERAL AND ADMINISTRATIVE EXPENSES	1/4 - 30/6	1/1 - 31/3
External advisors.....	2,121	3,079
Premises expenses.....	102	43
Other expenses.....	171	39
TOTAL	2,395	3,160
Of which: ISK.....	1,031	1,195
Of which: non-ISK.....	1,364	1,965
TOTAL	2,395	3,160

- A large portion of ongoing operational expenses are driven by previously approved costs related to the completion of the composition.
- Higher than budgeted operating expenses during the first two quarters were primarily driven by:
 - Earlier than expected cost recognition of salaries and related expenses resulting from the prepayment of Landsbankinn bonds.
 - Non-budgeted external advisor costs in Q1 of EUR 1.2 million resulting from the loss of LBI case against Raiffeisen Zentralbank in March 2017.
- LBI is adjusting its operations to its shrinking asset portfolio
 - number of full-time employees will be reduced from 12 down to 6 before the end of this year
 - LBI’s plan is to move to smaller offices before end this year
 - steps have been taken to reduce travelling cost
 - external expert costs have been reduced

CASH AND RESTRICTED CASH

CASH	30/06/2017	31/03/2017	RESTRICTED CASH	30/06/2017	31/03/2017
Non-ISK.....	166,327	321,147	ISK cash with respect to Retained Assets.....	17,490	17,064
ISK Opex Reserve Fund.....	3,749	5,891	Indemnity Fund.....	19,906	19,929
TOTAL	170,076	327,038	Trustee Indemnity Fund.....	241	257
			TOTAL	37,637	37,251

- Cash
 - Non-ISK cash at end of Q2 2017 amounted to EUR 170.1 million.
 - ISK Opex Reserve Fund of EUR 3.7 million is expected to be depleted during 2017.

- Restricted cash
 - 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.

LANDSBANKINN TERM DEPOSITS AND BONDS

	30/06/2017	31/03/2017
Term deposit with Landsbankinn (EUR).....	72,607	72,609
Term deposit with Landsbankinn (GBP).....	55,025	56,405
Term deposit with Landsbankinn (USD).....	11,575	12,360
TOTAL	139,207	141,375
<hr/>		
Bond Series 2020 (USD).....	0	0
Bond Series 2024 (USD).....	0	150,067
TOTAL	0	150,067

- Following the prepayment received from Landsbankinn on 22 June 2017, LBI no longer holds any Landsbankinn bonds.
- 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

LOANS TO CUSTOMERS, EQUITIES AND BONDS

LOANS TO CUSTOMERS BY SECTOR	30/06/2017	31/03/2017	LOANS TO CUSTOMERS BY COUNTRY	30/06/2017	31/03/2017
Real Estate.....	28,014	28,190	UK.....	21,068	20,503
Services.....	325	5,725	France.....	6,270	6,250
Retail.....	1,364	2,034	Germany.....	25	661
Other.....	2,616	1,501	Netherlands.....	896	20
			Other Europe.....	4,061	10,017
TOTAL	32,320	37,451	TOTAL	32,320	37,451

- 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.
- The largest remaining loan in the Services sector as of 31 March 2017 was to a Swedish telecommunications company, which was fully repaid in the quarter ended 30 June 2017.
- Estimated recovery for Other Europe 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

- 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 numbers are prepared as of 31 December 2016 and are not being updated quarterly.
- 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.
- 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.
- Potential increased involvement of LBI in the collection of these assets is on hold until the outcome of the French criminal court proceedings which is expected on 28 August 2017.

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 has appealed to the UK Court of Appeal the ruling on its case against Raiffeisen in the UK Royal Courts of Justice, hearings are scheduled for 27 March 2018.
- LBI has filed its claim against HSBC with the Milan Court, HSBC is scheduled to file its response on 20 October 2017.
- On 26 June 2017 LBI received a favourable procedural ruling in the cases against Commerzbank and KAS Bank as LBI’s counterclaims will be handled as part of the proceedings.
 - In the two cases against Commerzbank, LBI is counterclaiming funds received into deposit accounts after 8 October 2008 as such funds were not eligible for set-off.
 - In the case against KAS Bank, LBI is counterclaiming that certain securities delivered by LBI to under GMSLA agreement to KAS Bank need to be valued above zero or alternatively returned to LBI.
 - The scheduling of the next procedural hearings is expected shortly

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.

- On 19 June 2017, LBI subsequently cancelled eight cases resulting in Convertible Notes and cash on escrow for four counterparties being reversed to LBI after the reporting period but before the redemption payment on 21 July 2017.
- On 23 August, further two cases were cancelled of which one had Convertible Notes and cash on escrow which will be reversed this quarter.
- Remaining 8 voiding cases still before court are scheduled for trial in late September.

OTHER LEGAL DISPUTES BEFORE COURTS

- Damages cases (D&O cases)
 - LBI had 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. The total principal sum that can be sought from the liability insurers from all of these three cases combined is EUR 50 million. The next procedural hearing is scheduled for 18 September in the District Court of Reykjavik.
- Kevin Stanford
 - LBI has argued that Stanford's damages/set-off claim against LBI were brought too late. A procedural hearing was held in June at the District Court of Reykjavik without addressing whether the claim was brought too late. Only if LBI loses on the claim filed too late argument will the District Court consider actual merits of Stanford's claim in further proceedings. The next procedural hearing is scheduled for 15 September 2017 in the District Court of Reykjavik.
- Disputed Art. 113 claims
 - **FSCS**. Claim for interest under a guarantee provided by LBI for Heritable Bank. Next hearing is scheduled for 1 September 2017 in the District Court of Reykjavik.
 - **Money Market cases (223 cases)**. In process before the District Court of Reykjavik. Counterparties' requested appraisal work has been completed but not disclosed. Next procedural hearing is expected in Q3 2017.
- Contingent Art. 113 claims
 - **Heritable**. 67 finally approved Art. 113 claims of which payment is contingent upon outcome of recoveries from Heritable Bank estate.
 - **Giroux**. Two finally approved Art. 113 claim which are contingent upon outcome in damage case LBI has brought against the Giroux family. The main hearing in France has been scheduled in December 2017 with the judgement expected in early 2018.

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		8,210	5,600	13,810	Procedural hearings are scheduled for 1 September 2017
Bond buy-back (9 cases)	Iceland	71	2,245	1,532	3,848	Procedural hearings for remaining cases took place on 23 August
Money Market claims (223 cases)	Iceland	2,297	2,258	1,540	6,096	Procedural hearings in key cases expected in Q3
Commerzbank	Iceland		4,460	3,042	7,502	Counterclaims from LBI allowed in the proceedings at the District Court
Goldman Sachs	Iceland		2,850	1,944	4,794	Disputed ISDA closeout with the District Court
Contingent Heritable claims (67)	N/A	786	1,863	1,271	3,920	Awaiting final distribution by the Heritable Bank administrators
Giroux (2 cases)	France	24	1,099	750	1,873	Main proceedings in France scheduled for December 2017
KAS Bank	Iceland	12	761	519	1,292	Counterclaims from LBI allowed in the proceedings at the District Court
Other disputed cases (2 cases)	Iceland		1,033	705	1,738	With the District Court of Reykjavik
	TOTAL CONTINGENT	810	2,844	1,940	5,594	
	TOTAL DISPUTED	2,381	21,935	14,963	39,279	
	TOTAL RESERVES	3,191	24,780	16,903	44,873	

- The table above shows amounts taking into account redemption on 21 July 2017.
- Four allocations in the “Bond buy-back” category have been reversed before the 21 July redemption payment resulting in reversals of EUR 1.2 million of cash and EUR 1.1 million of Convertible Notes. An allocation towards LGT Bank was reversed before the 15 June redemption (EUR 1.6 million cash and EUR 1.6 million Convertible Notes). Additional three “Bond buy-back” cases cancelled in the period had no reserve allocation.
- Reserves under Contingent Heritable claims will be reversed to the extent that claimants receive further distributions from the Heritable estate.

MONETISATION PLAN FOR NEXT 12 MONTHS

ASSET CATEGORIES	2017		2018		TOTAL
	Q3	Q4	Q1	Q2	
Landsbankinn term deposit	549	543	537	549	2,179
Loans to customers	2,390	2,397	619	23,584	28,991
Equities and bonds	1,111		305		1,415
Claims on bankrupt estates		159		812	971
Other assets	170	7,014			7,183
TOTAL	4,220	10,113	1,461	24,945	40,739

- Around EUR 1.4 million of expected monetisation in Loans to Customers and EUR 1.1 million in Equities and bonds for Q3 are already collected.

AMOUNTS IN EUR EQUIVALENT	2017		2018		TOTAL
	Q3	Q4	Q1	Q2	
USD	83	7,095	81	83	7,341
GBP	352	1,429	833	16,344	18,958
EUR	3,603	236	348	8,387	12,574
Other	182	1,353	199	132	1,866
TOTAL	4,220	10,113	1,461	24,945	40,739

UPCOMING KEY EVENTS

- On 28 August 2017, ruling is expected from the Paris Criminal Court which could have an effect on valuation of expected recoveries from Landsbanki Luxembourg

Q&A