



2017 Q3 Management Accounts – Investor Call

14:00 GMT – 30 NOVEMBER 2017

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## KEY DEVELOPMENTS IN Q3 2017

- On 21 July 2017, LBI made a EUR 146.6 million redemption payment on the Convertible Notes.
- On 28 August 2017, Criminal Court of Paris ruled in favour of Landsbanki Luxembourg.
  - On 1 September 2017, the Public Prosecutor and most of the borrowers in question appealed the judgement.
  - The estimated recoverable value from Landsbanki Luxembourg has been increased by EUR 13.4 million to EUR 84.3 million in the period due to reassessment of expected collections.

## DRIVERS OF FINANCIAL CHANGE IN Q3 2017

ASSET CATEGORIES	30/06/2017	Net cash received	FX change	Value-change	Income	Operating expenses	Stability Contrib. and Tax	Note Redemption	Reserve and other reversals	30/09/2017
Cash .....	170,076	4,157	(764)	0	313	(5,083)	0	(146,562)	1,403	23,540
Restricted cash .....	37,637	0	(952)	0	(23)	0	0	0	0	36,662
Landsbankinn term deposit ...	139,207	(547)	(590)	0	547	0	0	0	0	138,617
Loans to customers .....	32,320	(2,391)	(64)	1,127	350	0	0	0	0	31,341
Equities and bonds .....	1,415	(1,111)	(1)	678	0	0	0	0	0	982
Claims on bankrupt estates ...	71,925	0	(3)	13,356	0	0	0	0	0	85,278
Other assets .....	13,504	(108)	(242)	1,221	0	0	0	0	0	14,374
Other receivables .....	1,427	0	60	0	0	0	0	0	0	1,487
<b>TOTAL</b>	<b>467,512</b>	<b>0</b>	<b>(2,556)</b>	<b>16,382</b>	<b>1,186</b>	<b>(5,083)</b>	<b>0</b>	<b>(146,562)</b>	<b>1,403</b>	<b>332,282</b>

- Redemptions of the Convertible Note totalled 146.6 million
- Net cash of EUR 4.2 million was realised over the quarter, the largest contributors were:
  - Loans to customers with receipts of EUR 2.4 million
  - Equities and bonds with receipts of EUR 1.1 million

## KEY EVENTS AFTER THE BALANCE SHEET DATE

- On 9 October 2017, the District Court of Reykjavik ruled in the favour of LBI dismissing FSCS claim for interest under a subsidiary guarantee. The ruling has since been appealed to the Supreme Court of Iceland which is expected to announce its decision before the end of the year.
- On 16 November 2017, LBI and Commerzbank settled all outstanding derivative disputes resulting in the reversal of all escrow allocations towards the disputed claims.
- On 22 November 2017, LBI settled its derivative dispute with a foreign financial institution.
- On 27 November 2017, LBI was notified that the full amount of the Landsbankinn term deposit will be made available for withdrawal on a date certain; such date will permit that amount to be included in the scheduled redemption payment of the LBI Convertible Note on 15 December 2017.

## PRO FORMA BOOK VALUE OF THE OUTSTANDING CONVERTIBLE NOTES

TOTAL ASSET VALUE AS OF 30 SEPTEMBER 2017	332,282
LESS: ISK ASSETS SUBJECT TO STABILITY CONTRIBUTION	(16,546)
LESS: OTHER LIABILITIES	(1,573)
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CONVERTIBLE NOTE BOOK VALUE AS OF 30 SEPTEMBER 2017	314,163
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NOMINAL VALUE OF CONVERTIBLE NOTES AS OF 30 SEPTEMBER 2017	814,992
LESS: CANCELLATIONS BEFORE SCHEDULED PAYMENT 15 DECEMBER 2017	(4,859)
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PRO FORMA NOMINAL VALUE OF CONVERTIBLE NOTES AS OF 28 NOVEMBER 2017	810,133
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<b>IMPLIED RECOVERY OF CONVERTIBLE NOTES OUTSTANDING</b>	<b>38.8%</b>
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- The numbers include cash (in both FX and ISK) that is expected to be spent on operational expenses.

# OPERATIONAL EXPENSES

BUDGET FOR 2017	1/7 - 30/9	1/4 - 30/6
Budgeted operating expenses .....	3,231	3,352
Actual operating expenses .....	4,646	6,060
<b>DIFFERENCE</b>	<b>(1,415)</b>	<b>(2,708)</b>

SALARIES AND RELATED EXPENSES	1/7 - 30/9	1/4 - 30/6
Salaries.....	2,147	3,117
Pension fund.....	266	325
Other salary related expenses.....	167	223
<b>TOTAL</b>	<b>2,579</b>	<b>3,665</b>
Of which: ISK.....	1,555	1,097
Of which: non-ISK.....	1,024	2,568
<b>TOTAL</b>	<b>2,579</b>	<b>3,665</b>

GENERAL AND ADMINISTRATIVE EXPENSES	1/7 - 30/9	1/4 - 30/6
External advisors.....	1,901	2,121
Premises expenses.....	41	102
Other expenses.....	125	171
<b>TOTAL</b>	<b>2,066</b>	<b>2,395</b>
Of which: ISK.....	856	1,031
Of which: non-ISK.....	1,210	1,364
<b>TOTAL</b>	<b>2,066</b>	<b>2,395</b>

- 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 third quarter were primarily driven by:
  - Acceleration of expected salaries and related expenses resulting from the prepayment of Landsbankinn bonds.
  - Non-budgeted external advisor costs in Q3 of EUR 0.5 million resulting from the loss of LBI case against Raiffeisen Zentralbank.
- LBI is adjusting its operations to its shrinking asset portfolio
  - LBI moved to smaller offices in October 2017
  - Number of full-time employees was reduced from 12 to 9 and will be reduced further before the end of this year.
  - External expert costs have been reduced

# OPERATIONAL BUDGET FOR 2018

		2018			
		Q1	Q2	Q3	Q4
<b>SALARIES AND RELATED EXPENSES</b>					
Salaries.....		1,104	1,980	628	1,280
Pension fund.....		168	286	88	165
Other salary related expenses.....		99	150	50	94
	<b>TOTAL</b>	<b>1,371</b>	<b>2,415</b>	<b>766</b>	<b>1,539</b>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>					
External advisors.....		842	763	618	613
Premises expenses.....		25	13	13	13
Other expenses.....		95	80	80	80
	<b>TOTAL</b>	<b>962</b>	<b>856</b>	<b>711</b>	<b>706</b>
<b>OPERATING EXPENSES</b>	<b>TOTAL</b>	<b>2,333</b>	<b>3,271</b>	<b>1,477</b>	<b>2,245</b>



## CASH AND RESTRICTED CASH

CASH	30/09/2017	30/06/2017	RESTRICTED CASH	30/09/2017	30/06/2017
Non-ISK.....	22,045	166,327	ISK cash with respect to Retained Assets.....	16,546	17,490
ISK Opex Reserve Fund.....	1,495	3,749	Indemnity Fund.....	19,883	19,906
<b>TOTAL</b>	<b>23,540</b>	<b>170,076</b>	Trustee Indemnity Fund.....	233	241
			<b>TOTAL</b>	<b>36,662</b>	<b>37,637</b>

- Cash
  - Non-ISK cash at end of Q3 2017 amounted to EUR 22.0 million.
  - ISK Opex Reserve Fund of EUR 1.5 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

	30/09/2017	30/06/2017
Term deposit with Landsbankinn (EUR).....	72,607	72,607
Term deposit with Landsbankinn (GBP).....	54,834	55,025
Term deposit with Landsbankinn (USD).....	11,176	11,575
<b>TOTAL</b>	<b>138,617</b>	<b>139,207</b>

- On 27 November 2017, LBI was notified that the full amount of the term deposit will be made available for withdrawal, permitting that amount to be included in the scheduled redemption payment of the Convertible Note on 15 December 2017.

# LOANS TO CUSTOMERS

LOANS TO CUSTOMERS BY SECTOR	30/09/2017	30/06/2017	LOANS TO CUSTOMERS BY COUNTRY	30/09/2017	30/06/2017
Real Estate.....	28,450	28,014	UK.....	20,882	21,068
Services.....	325	325	France.....	6,270	6,270
Retail.....	1,161	1,364	Germany.....	25	25
Other.....	1,405	2,616	Netherlands.....	21	896
<b>TOTAL</b>	<b>31,341</b>	<b>32,320</b>	Other Europe.....	4,144	4,061
			<b>TOTAL</b>	<b>31,341</b>	<b>32,320</b>

- 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 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	59.5	149.1	119.6	57.6	108.4
Spain	204	62.8	144.4	102.6	54.8	96.2
Other	2	.7	.9	.6	.4	.6
<b>TOTAL</b>	<b>272</b>	<b>122.9</b>	<b>294.4</b>	<b>222.9</b>	<b>112.9</b>	<b>205.2</b>

- Loan balances shown above have been updated as of 30 September 2017 and include interest accruals at full default rates. Information shown above related to collateral values, except in limited circumstances, has not been updated since 31 December 2016.
- 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.
- The estimated recoverable value has been increased by EUR 13.4 million to EUR 84.3 million in the period due to reassessment of expected collections following the favourable ruling by the Criminal Court in Paris.

## 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
<b>Commerzbank</b>	<b>GMRA / Nostro Account</b>	<b>Valuation / Set-off</b>	<b>Iceland / Germany</b>	<b>4,946</b>
KAS Bank	GMSLA	Valuation	Iceland / UK	3,091
<b>Financial Institution</b>	<b>GMSLA</b>	<b>Rescission Claim / Set-off</b>	<b>Iceland / UK</b>	<b>2,180</b>
BNP Paribas	Deposit Account	Potential 3rd party claims	Belgium	1,768
Corporate Entity	ISDA	Suspended payment	UK	1,490
<b>Commerzbank (Dresdner)</b>	<b>ISDA / Nostro Account</b>	<b>Valuation / Set-off</b>	<b>Iceland / Germany</b>	<b>339</b>
			<b>TOTAL</b>	<b>34,723</b>

- 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 was scheduled to file its response on 20 October 2017 but an initial hearing has been delayed to 30 January 2018.
- On 16 November 2017, LBI and Commerzbank settled all outstanding disputes on claims and counterclaims resulting in the reversal of all escrow allocations towards the disputed claims.
- On 22 November, LBI settled its outstanding dispute with a foreign financial institution resulting in an increased reported value in the reporting period and increased cash collection in the fourth quarter.

## VOIDING CASES – BOND BUY-BACK CASES

- Subsequent to the Supreme Court ruling on the LGT Bank case LBI cancelled ten cases resulting in Convertible Notes and cash on escrow being reversed to LBI.
- Two additional cases have been cancelled after the end of the reporting period one of which had allocations on escrow which will be reversed in the fourth quarter.
- LBI's six remaining voiding cases were heard by the Reykjavik District Court in early November and verdicts are expected before the end of the year.

## 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	Claim dismissed by District Court, awaiting Supreme Court ruling
Bond buy-back (6 cases)	Iceland	71	2,210	1,507	3,789	Main hearings took place early November, awaiting rulings
Money Market claims (223 cases)	Iceland	2,297	2,258	1,540	6,096	Main hearings are expected in the first half of 2018
<b>Commerzbank</b>	<b>Iceland</b>		<b>4,460</b>	<b>3,042</b>	<b>7,502</b>	<b>Settled and will be reversed in the fourth quarter</b>
Goldman Sachs	Iceland		2,850	1,944	4,794	ISDA closeout, main hearing scheduled for 13 March 2018
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	Main hearings are expected in the first half of 2018
Other disputed cases (2 cases)	Iceland		1,033	705	1,738	With the District Court of Reykjavik
	<b>TOTAL CONTINGENT</b>	810	2,844	1,940	<b>5,594</b>	
	<b>TOTAL DISPUTED</b>	2,381	21,900	14,938	<b>39,219</b>	
	<b>TOTAL RESERVES</b>	3,191	24,744	16,879	<b>44,813</b>	

- The table above includes amounts anticipated to be reversed prior to the scheduled redemption payment on 15 December 2017
  - Commerzbank reversals of EUR 4,460 thousand of redemptions and EUR 3,042 thousand of outstanding nominal
  - Reversal of one bond buy-back case of EUR 166 thousand of cash and EUR 105 thousand of outstanding nominal
- Reserves under Contingent Heritable claims will be reversed to the extent that claimants receive further distributions from the Heritable estate.

## 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. The total principal sum that can be sought from the liability insurers from all of these three cases combined is EUR 50 million.
- Kevin Stanford
  - LBI has argued that Stanford's damages/set-off claim against LBI were lodged too late. A hearing is scheduled for 11 January 2018 at the District Court of Reykjavik. Only if LBI loses on this argument will the District Court consider actual merits of Stanford's claim in further proceedings.
- Disputed Art. 113 claims
  - **FSCS.** On 9 October 2017, the District Court of Reykjavik ruled in the favour of LBI dismissing the claim. The ruling has since been appealed to the Supreme Court of Iceland and a decision is expected before the end of the year.
  - **Money Market cases (223 cases).** In process before the District Court of Reykjavik. Appraisal reports have now been submitted to the court for 13 test cases moving the proceedings closer to main hearings which are now expected in the first half of 2018.
- Contingent Art. 113 claims
  - **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.



## MONETISATION PLAN FOR NEXT 12 MONTHS

ASSET CATEGORIES	2017	2018			TOTAL
	Q4	Q1	Q2	Q3	
Landsbankinn term deposit .....	139,007				139,007
Loans to customers .....	1,838	2,902	275	23,946	28,961
Equities and bonds .....	925	57			982
Claims on bankrupt estates .....		500	1,309	659	2,467
Other assets and other sources ....	9,931	1,126		5,756	16,812
<b>TOTAL</b>	<b>151,701</b>	<b>4,584</b>	<b>1,584</b>	<b>30,360</b>	<b>188,229</b>

AMOUNTS IN EUR EQUIVALENT	2017	2018			TOTAL
	Q4	Q1	Q2	Q3	
USD .....	11,233			5,756	16,989
GBP .....	56,108	1,246	979	15,558	73,891
EUR .....	83,352	2,106	500	8,690	94,647
Other .....	1,008	1,232	105	356	2,702
<b>TOTAL</b>	<b>151,701</b>	<b>4,584</b>	<b>1,584</b>	<b>30,360</b>	<b>188,229</b>

- On 27 November 2017, LBI was notified that the full amount of the term deposit will be made available for withdrawal, permitting that amount to be included in the scheduled redemption payment of the Convertible Note on 15 December 2017.
- The release of sales proceeds reported under loans to customers has been moved from Q2 to Q3 2018
- Monetisation under other assets which were previously expected in Q4 2017 have been moved to Q3 2018

## UPCOMING KEY EVENTS

- On 15 December 2017, scheduled redemption payment of Convertible Notes which is expected to be in the region of EUR 140 million.
- On 9 October 2017, the District Court of Reykjavik ruled in the favour of LBI dismissing the FSCS claim. The ruling has since been appealed to the Supreme Court of Iceland and a decision is expected before the end of the year.
- LBI's six remaining court cases regarding claims for voiding were heard by the Reykjavik District Court in early November and verdicts are expected before the end of the year.

# Q&A