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LBI ehf.  
Financial information as at end of Q4 2015

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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 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>.
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# Estimated Remaining Recovery at end of Q4 2015

# LBI

ISKbn	Estimated recovery		Changes in Quarter							
	30.9.2015	31.12.2015	Payments	FX change	Valuation	Income	Tax	Op. exp.	Art 109	Total change
Cash	173,3	249,4	86,0	(1,0)		0,9	(6,8)	(2,6)	(0,4)	76,1
Loans to Financial Inst.	14,9	10,70	(3,6)	(0,1)	(0,4)	0,0				(4,2)
Loans to Customers	54,4	54,41	(4,6)	(0,6)	4,2	1,0				0,0
Bonds	7,8	0,00	(8,0)	0,1	0,0	0,0				(7,8)
Equities	2,1	2,03	(0,1)	(0,0)	0,0	0,0				(0,1)
LB Financing	193,9	125,71	(69,5)	0,3	0,0	1,1				(68,2)
Derivatives	0,8	0,84	(0,1)	0,0	0,1					0,0
Non current assets	1,5	1,56	(0,0)	0,0	0,0					0,0
Damage/Voiding cases	6,9	6,8		(0,1)						(0,1)
<b>Total assets</b>	<b>455,6</b>	<b>451,4</b>	<b>(0,0)</b>	<b>(1,3)</b>	<b>3,9</b>	<b>3,1</b>	<b>(6,8)</b>	<b>(2,6)</b>	<b>(0,4)</b>	<b>(4,2)</b>

## Highlights in Q4 2015

- Despite increased actual value of ISK 3,9bn and Income of ISK 3,1bn total estimated recovery decreased by ISK 4,2bn, mainly due to payment of Bank levy of ISK 6,8bn, Operational expenses of ISK 2,6bn (thereof ISK 1,2bn in ISK) and negative FX changes of ISK 1,3bn.
- Received payments from assets in Q4 2015 was of total ISK 85,6bn, thereof:
  - ISK 69,5bn payment from LB Bond, thereof:
    - ISK 48bn payment in October 2015, full payment of LB Bond 2016 maturity and 45% of 2018 maturity,
    - ISK 21,5bn payment late December 2015, which was payment of remaining 55% of LB Bond 2018 maturity. Regarding this payment LBI and LB agreed that:
      - amount equal to 55% of LB Bond 2018 maturity will be kept on LBI's fixed term deposit account with LB. Agreed maturity is 9 October 2018 and coupon L+150bps,
      - LBI could use ISK 8,2bn of this payment to execute final settlement of Art. 112 priority claims on 11 January 2016. The balance on the deposit account at end of year 2015 is therefore ISK 13,3bn.
      - LBI needs to top-up the amount of the deposit account to equivalent to 55% of LB Bond 2018 maturity before end of Q3 2016. Based on FX rates at end of Q4 2015 this amount is ISK 8,2bn.
  - ISK 8bn from Landsvirkjun Bond (final payment),
  - ISK 4,6bn from Loans to customers .
  - ISK 3,6bn from Financial institutions.
- Valuation changes was of total ISK 3,9bn, mainly from Loans to customers.
- Payment of the Bank levy was of total ISK 6,8bn (paid in ISK).

# Estimated Remaining Recovery at end of Q4 2015

Estimated recovery and Partial payments towards Art. 112 claims.

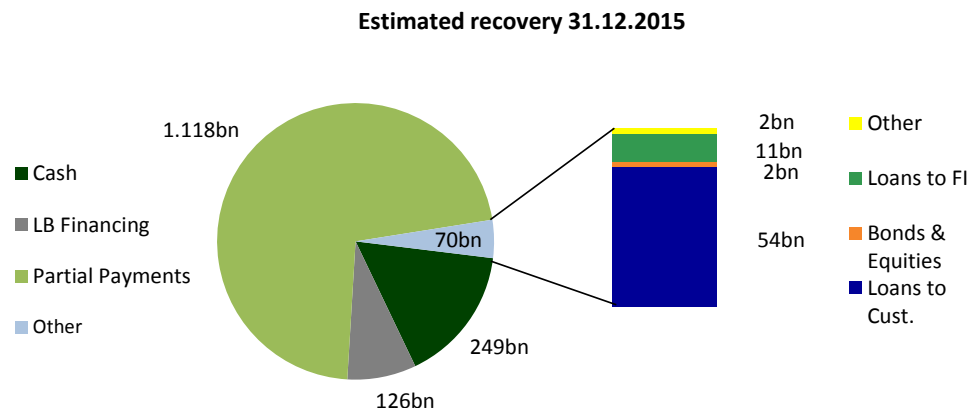
Estimated recovery ISKbn	FX at each reporting date									
	30.9.2013	31.12.2013	31.3.2014	30.6.2014	30.9.2014	31.12.2014	31.3.2015	30.6.2015	30.9.2015	31.12.2015
Cash	230,9	317,6	332,6	362,9	468,0	111,8	121,9	146,7	173,3	249,4
Loans to Financial Inst.	27,9	27,7	26,0	29,6	28,6	32,6	38,6	16,2	14,9	10,7
Loans to Customers	226,7	183,3	171,3	159,9	71,9	61,3	55,2	61,4	54,4	54,4
Bonds	46,9	45,9	42,1	42,1	39,7	40,6	37,2	36,8	7,8	0,0
Equities	6,6	2,4	2,0	3,5	2,0	1,6	2,0	2,7	2,1	2,0
LB Financing	297,9	237,7	231,9	228,7	230,2	200,4	203,9	201,2	193,9	125,7
Derivatives	1,1	0,5	0,5	0,5	0,5	1,3	0,9	0,9	0,8	0,8
Non current assets	2,4	2,9	2,8	2,6	2,4	1,7	1,8	1,6	1,5	1,5
Damage/Voiding cases								7,1	6,9	6,8
<b>Total remaining assets</b>	<b>840,4</b>	<b>818,1</b>	<b>809,0</b>	<b>829,7</b>	<b>843,2</b>	<b>451,5</b>	<b>461,5</b>	<b>474,6</b>	<b>455,6</b>	<b>451,4</b>
Part. payments incl. escrow repayments	715,3	715,9	715,9	715,9	715,9	1.118,6	1.118,6	1.117,6	1.117,6	1.117,6
<b>Total assets including partial payments</b>	<b>1.555,7</b>	<b>1.534,0</b>	<b>1.534,0</b>	<b>1.545,6</b>	<b>1.559,1</b>	<b>1.570,0</b>	<b>1.580,1</b>	<b>1.592,2</b>	<b>1.573,2</b>	<b>1.569,0</b>

## Partial payments to priority creditors (Art. 112) and remaining estimated recovery

- At the end of Q4 2015 five Partial payments of net total ISK 1.117,6bn have been made towards priority claims (Art.112).
- At the end of Q4 2015 partial payments and remaining assets are of total ISK 1.569,0bn.

## Remaining estimated recovery

- At the end of Q4 2015 Cash was ISK 249,4bn and estimated recovery of non-cash assets was of total ISK 202bn. Thereof:
  - LB Bond ISK 125,7bn
  - Loans to customers ISK 54,4bn.

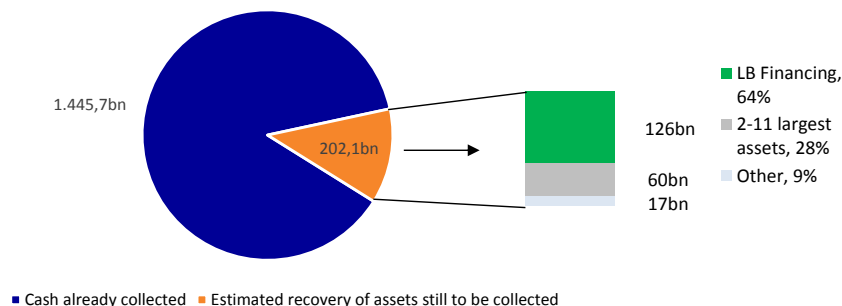


# Estimated Remaining Recovery including cash payments towards Art. 109-112 claims.

## Estimated recovery including cash payments to Art. 109-112 creditors

ISKbn	31.12.2015
Cash	249,4
Loans to Financial inst.	10,7
Loans to customers	54,4
Bonds	0,0
Equities	2,0
LB Financing	125,7
Derivatives	0,8
Non current assets	1,6
Damage/Voiding cases	6,8
<b>Total remaining assets</b>	<b>451,4</b>
<b>Payments to Art. 109-112 creditors</b>	
Art. 109 - Proprietary claims	5,2
Art. 110 - Admin. Claims	61,6
Art. 110 - Admin. claims/Bank tax	14,5
Art. 112 - Partial Payments incl. escrow repayments	1.117,6
<b>Total payments to Art. 109-112 creditors</b>	<b>1.198,9</b>
<b>Total remaining assets and payments to Art. 109-112 creditors</b>	<b>1.650,3</b>

- Estimated recovery at the end of Q4 2015 was ISK 451,4bn and total payments to Art. 109-112 creditors was ISK 1.198,9bn. Based on this LBI's total expected recovery is ISK 1.650,3bn.
- Total cash payments of ISK 1.198,9bn and Cash position at 31.12.2015 of ISK 249,4bn is of total ISK 1.448,3bn.
  - This means that LBI has already realized into cash approx. 88% of the total ISK 1.650,3bn estimated recovery.
- ISK 202,1bn or approx. 12% of expected total cash collection is still to be collected.

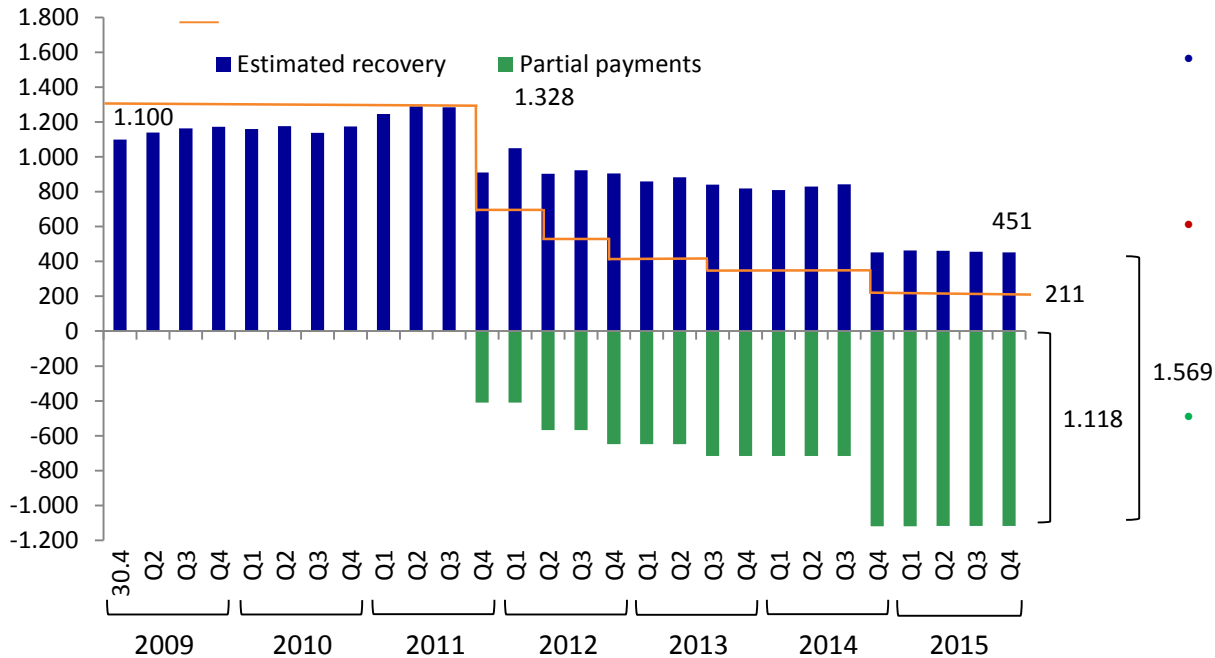


# Historical development

## Estimated recovery, Partial Payments and Priority claims

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Development of the Estimated recovery - using FX rates at each reporting date (ISKbn)



### Historical development, status as at end Q4 2015

- Partial payments to priority creditors (Art. 112) is of total 1.118bn (green pillars).
- Remaining finally accepted Art. 112 claims are ISK 211bn (red line).
- Estimated recovery of remaining assets is ISK 451bn (blue pillars), thereof Cash is ISK 249bn and non-cash assets ISK 202,1bn.
- Partial payments to priority creditors (Art. 112) and remaining assets still (green pillars + blue pillars) are of total ISK 1.569bn.

### Estimated recovery and remaining claims against LBI

- Not considering LBI's Stability contribution and rejected still disputed proprietary claims (Art. 109), administrative claims (Art. 110) and disputed set-off claims against recoverable assets (Art. 111) the estimated recovery was ISK 240bn higher than remaining finally accepted Priority claims (Art. 112).

### Historical changes

- **Estimated recovery has increased since 30.4.2009 by ISK 469bn** (from ISK 1.100bn to ISK 1.569bn).
- **On 31.12.2015 the estimated recovery was ISK 240bn higher than remaining finally accepted priority claims (Art. 112).**
- **Priority claims of ISK 1.328bn** have reduced by five partial payments **down to ISK 211bn.**
  - On 11 January 2016 remaining finally accepted Art. 112 claims were fully paid.
- **Five Partial Payments of net ISK 1.117,6bn** have been made:
  - 1<sup>st</sup> made in December 2011 of ISK 410bn
  - 2<sup>nd</sup> made in May 2012 of ISK 172,3bn
  - 3<sup>rd</sup> made in October 2012 of ISK 80bn
  - 4<sup>th</sup> made in September 2013 of ISK 67,2bn
  - 5<sup>th</sup> made in December 2014 of ISK 402,7bn
    - Escrow repayments to LBI of ISK 14,5bn
  - 6<sup>th</sup> payments and final settlement of Art. 112 claims made on 11 January 2016 of ISK 210,6bn

# Estimated remaining recovery by currency at end Q4 2015

# LBI

ISKbn	ISK		USD		EUR		GBP		Other		Total	
	30.9.15	31.12.15	30.9.15	31.12.15	30.9.15	31.12.15	30.9.15	31.12.15	30.9.15	31.12.15	30.9.15	31.12.15
Cash	22	16	14	31	74	110	49	80	14	13	173	249
Loans to FI	0	0	1	1	13	10	0	0	0		15	11
Loans to Customers	8	8	1	1	16	19	9	9	20	17	54	54
Bonds			8								8	0
Equities	1	1	0	0	0	0	0	0			2	2
LB Financing		0	75	71	89	55	30	0			194	126
Derivatives	1	1		0	0	0		0			1	1
Other assets	0	0	1	1	0	0		0			2	2
Damage/Voiding cases					7	7					7	7
<b>Total assets</b>	<b>32</b>	<b>25</b>	<b>100</b>	<b>105</b>	<b>193</b>	<b>202</b>	<b>89</b>	<b>89</b>	<b>34</b>	<b>30</b>	<b>456</b>	<b>451</b>

## • Changes in estimated recovery by currencies in Q4 2015 and main changes in Cash position in January-February 2016:

- ISK decreased from ISK 32bn to ISK 25bn (mainly due to payment of the Bank levy) and is at end Q4 2015 6% of total estimated recovery
  - On 11 January 2016 Cash in ISK reduced by ISK 6,4bn when the Stability contribution was made.
- USD increases by ISK 5bn to ISK 105bn and was at end Q4 2015 24% of total estimated recovery.
  - On 11 January 2016 Cash in USD decreased by USD 306,2m due to final settlement of Art. 112 priority claims.
- EUR increases by ISK 9bn to ISK 202bn and was at end Q4 2015 45% of total estimated recovery.
  - On 11 January 2016 Cash in EUR decreased by EUR 706,244m due to final settlement of Art. 112 priority claims
  - On 8 February Cash in EUR decreased by EUR 20,788m or ISK 2,945bn due to DMP's to Art. 113 creditors.
- GBP is unchanged and was at end Q4 2015 20% of total estimated recovery.
  - On 11 January 2016 Cash in GBP decreased by GBP 374,3m due to final settlement of Art. 112 priority claims
- Other currencies decreases by ISK 4bn to ISK 30bn and is now 7% of total estimated recovery.

# Cash and expected cash inflow by currency and asset categories

## Estimated cash flow by currency

Estimated Recovery (ISKbn)	Cash	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Later	Total
ISK	16	3	0	3	0	0	0	0	0	0	0	0	2	25
USD	31	2	0	2		35				35				105
EUR	110	14	6	10	1	1	1	28	1	1	1	28	1	202
GBP	80	4	1		4									89
CAD and other	13	15	0	0	0	0	0	0	0	0	0	0	0	30
<b>Total assets</b>	<b>249</b>	<b>38</b>	<b>8</b>	<b>15</b>	<b>6</b>	<b>36</b>	<b>1</b>	<b>28</b>	<b>1</b>	<b>36</b>	<b>1</b>	<b>28</b>	<b>3</b>	<b>451</b>

## Estimated cash flow by asset category

Estimated Recovery (ISKbn)	Cash	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Later	Total
Cash	249													249
Loans to Financial Inst.		0	1	2	1	1	1	1	1	1	1	1	1	11
Loans to Customers		33	6	6	4	1	0	0	0	0	0	0	2	54
Bonds														0
Equities		2	1											2
LB Financing		1				35		27		35		27		126
Derivatives		1												1
Investment in Subsidiaries														0
Non current assets		2												2
Damage/Voiding cases					7									7
<b>Total assets</b>	<b>249</b>	<b>38</b>	<b>8</b>	<b>15</b>	<b>6</b>	<b>36</b>	<b>1</b>	<b>28</b>	<b>1</b>	<b>36</b>	<b>1</b>	<b>28</b>	<b>3</b>	<b>451</b>

- At end year 2015 Cash on LBI's fixed term deposit account with LB is of total ISK 13,3bn. Maturity date of the account is 9 October 2018.
- Based on FX rates at end year 2015 LBI needs to use ISK 8,2bn of expected cash inflow to top-up its deposit account with LB.
- Cash in FX at year end 2015 was of total ISK 249bn.
- Expected cash inflow from 2016 is mainly from;
  - LB financing of ISK 126bn
  - Loans to customers of ISK 54bn
  - Loans to financial institutions of ISK 11bn, thereof from LI Lux estate ISK 8,6bn.



# Stability contribution made to CBI on 11 January 2016

# LBI

ISKbn	Assigned assets			Retained assets			Write offs		
	nr of assets	Exposure	Recovery	nr of assets	Exposure	Recovery	nr of assets	Exposure	Recovery
Cash		6,4	6,4						
Loans to Financial Inst.	0	0,0	0,0	1	6,1	0,0			
Loans to Customers	36	106,7	8,0	4	117,8	0,8	14	20,0	0,0
Bonds	0	0,0	0,0						
Equities	7	1,3	1,3						
LB Financing	0	0,0	0,0						
Derivatives	4	0,9	0,0	1	1,0	0,2	13	0,8	
Non current assets	4	0,2	0,2						
Damage/Voiding cases	0	0,0	0,0	7	126,5	0,0			
<b>Total assets</b>	<b>51</b>	<b>115,5</b>	<b>15,9</b>	<b>13</b>	<b>251,5</b>	<b>1,0</b>	<b>27</b>	<b>20,8</b>	<b>0,0</b>

• LBI's Stability Contribution made 11 January 2016 was of total ISK 15,9bn, thereof:

- Cash of ISK 6,4bn,
- Loans to financial institution, 0-recovery
  - 1 exposure, retained asset
- Loans to customers with estimated recovery of total ISK 8bn,
  - 54 exposures, thereof 36 assigned, 4 retained and 14 final write-offs
- Equities with estimated recovery of total ISK 1,3bn,
  - 7 exposures, all assigned
- Derivatives, 0-recovery
  - 18 exposures, 4 assigned, 1 retained and 13 final write-offs
- Non-current assets with estimated recovery of total ISK 0,2bn
  - 4 exposures, all assigned
- Damage&Voiding cases with 0-recovery
  - 7 cases, all retained exposures

# Estimated Pro Forma Remaining Recovery 31 December 2015

# LBI

FX rates as at end of Q4 2015

ISKbn	Estimated Pro Forma remaining recovery		Changes in the Quarter or subsequent to Quarter end									
	30.9.2015	31.12.2015	Payments	FX change	Valuation	Income	Tax	Op. exp.	Art 109	Art 112	Stab. Contr.	Total change
Cash	173,3	32,4	85,7	(0,7)	0,0	0,9	(6,8)	(2,6)	(0,4)	(210,6)	(6,4)	(140,9)
Loans to Financial Inst.	14,9	10,7	(3,6)	(0,1)	0,1	0,0						(3,7)
Loans to Customers	54,4	46,4	(4,2)	(0,6)	3,7	1,0					(8,0)	(8,0)
Bonds	7,8	0,0	(8,0)	0,1	0,0						0,0	(7,8)
Equities	2,1	0,8	(0,2)	(0,0)	0,1	0,0					(1,3)	(1,3)
LB Financing	193,9	125,7	(69,5)	0,3	0,0	1,1					0,0	(68,2)
Derivatives	0,8	0,8	(0,1)	0,0	0,1	0,0					(0,0)	(0,0)
Non current assets	1,5	1,4	(0,0)	0,0	0,0	0,0					(0,2)	(0,2)
Damage/Voiding cases	6,9	6,8		(0,1)								(0,1)
<b>Total assets</b>	<b>455,6</b>	<b>224,9</b>	<b>0,0</b>	<b>(1,0)</b>	<b>4,1</b>	<b>3,0</b>	<b>(6,8)</b>	<b>(2,6)</b>	<b>(0,4)</b>	<b>(210,6)</b>	<b>(15,9)</b>	<b>(230,2)</b>

**Above table, which shows the Estimated Pro Forma remaining recovery as at end of Q4 2015, is based on that (i) final Settlement of Art. 112 priority claims of total ISK 210,6bn and (ii) LBI's Stability Contribution of total ISK 15,9bn has been finalized:**

- Estimated Pro Forma remaining recovery at end of Q4 2015 is of total ISK 224,9bn, thereof:
  - Cash is of total ISK 32,4bn, thereof;
    - Cash in ISK is ISK 9bn
      - ISK 6bn is on special reserve fund for potential finally accepted Art. 109-112 priority claims
      - ISK 3bn is on reserve fund for operational expenses post composition
    - Cash in FX is ISK 23,4bn, thereof
      - ISK 13,3bn is on LBI's fixed term deposit account with LB (see further on slide 3)
  - Loans to customers is ISK 46,4bn
  - Equities is ISK 0,8bn
  - Non-current assets is ISK 1,4bn