



2017 Financial Statements – Investor Call

14:00 GMT – 21 MARCH 2018

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## KEY DEVELOPMENTS IN Q1 to Q3 2017

- 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.
- In March 2017, LBI received 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 2017 Convertible Note redemption payment.
- 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).
- LBI lost its unsettled derivatives case against Raiffeisen in the UK Royal Courts of Justice on 20 March 2017. LBI appealed the judgement. Main hearing before UK Court of Appeal will be held on 27 March 2018.
- 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 (EUR 53 million) as Additional Stability Contribution.
- 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 bonds received.
- On 3 May 2017, LBI received dividend payment from Landsbanki Luxembourg estate of EUR 3.4 million.

## KEY DEVELOPMENTS IN Q1 to Q3 2017, cont.

- 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.
- 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).
- 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 the borrowers in question appealed the judgement.
  - The estimated recoverable value from Landsbanki Luxembourg been increased by EUR 13.4 million to 84.3 million in Q3 2017 due to reassessment of expected collections.

## KEY DEVELOPMENTS IN Q4 2017

- On 9 October 2017, the District Court of Reykjavik ruled in favour of LBI dismissing FSCS claim for interest under a subsidiary guarantee. The ruling has since been partially reversed by the Supreme Court of Iceland, and the case is expected to be heard on merit at the District Court during 2018.
- On 16 November 2017, LBI and Commerzbank settled all outstanding derivative disputes resulting in the reversal of escrow allocations towards the disputed claims.
- On 22 November 2017, LBI settled its derivative dispute with a foreign financial institution.
- On 27 November 2017, the full amount of the Landsbanki term deposit was made available for withdrawal and subsequently included in the scheduled Convertible Note redemption payment on 15 December 2017.
- On 15 December 2017, LBI made a EUR 140.5 million redemption payment on the Convertible Notes.
- On 22 December 2017 LBI received unfavourable rulings from the District Court of Reykjavik on the six remaining rescission cases against foreign financial institutions.
- On 22 December 2017, LBI settled a case brought in France against two individuals seeking to recover certain funds.

## DRIVERS OF FINANCIAL CHANGE IN Q4 2017

ASSET CATEGORIES	30/09/2017	Net cash received	FX change	Value-change	Income	Operating expenses	Stability Contrib. and Tax	Note Redemption	Reserve and other reversals	Reclass	31/12/2017
Cash .....	23,540	152,735	(254)	0	409	(3,102)	0	(140,465)	1,889	0	34,752
Restricted cash .....	36,662	0	(3)	0	(23)	0	0	0	0	(16,546)	20,090
Landsbankinn term deposit .....	138,617	(139,271)	251	0	403	0	0	0	0	0	0
Loans to customers .....	31,341	(2,479)	(91)	3,216	35	0	0	0	0	0	32,021
Equities and bonds .....	982	(922)	(2)	128	0	0	0	0	0	0	186
Claims on bankrupt estates .....	85,278	(0)	(5)	1	0	0	0	0	0	0	85,274
Other assets and other sources ..	14,374	(8,826)	(82)	5,490	0	0	0	0	0	0	10,956
Other receivables .....	1,487	(1,237)	0	0	0	255	0	0	0	0	505
<b>TOTAL</b>	<b>332,282</b>	<b>0</b>	<b>(186)</b>	<b>8,835</b>	<b>824</b>	<b>(2,847)</b>	<b>0</b>	<b>(140,465)</b>	<b>1,889</b>	<b>(16,546)</b>	<b>183,785</b>

- Redemptions of the Convertible Note totalled 140.5 million
- Net cash of EUR 152.7 million was realised over the quarter, the largest contributors were:
  - Release and withdrawal of Landsbankinn term deposit of 139.3 million
  - Loans to customers with receipts of EUR 2.5 million
  - Other assets and other sources of EUR 8.8 million
- Restricted cash from Brim in ISK with value of EUR 16.5 million was reclassified as off balance sheet

## KEY EVENTS AFTER THE BALANCE SHEET DATE

- As LBI decided in January 2018 not to appeal the unfavourable ruling of the District Court from 22 December 2017 in respect of the last six rescission cases, EUR 20.1 million in disputed Art. 113 claims became finally rejected and total reserves of EUR 2.3 million were released from escrow and returned to LBI, and in addition EUR 1.2 million in Convertible Notes were returned and cancelled.
- In January 2018, Indemnity fund for former Winding-up board members was reduced to EUR 15 million, and EUR 4.9 million returned to LBI.
- In February 2018, the Company received a EUR 2.9 million dividend payment from the Landsbanki Luxembourg estate.
- On 15 March 2018, Kevin Stanford's case against LBI at the District Court of Reykjavik was discontinued and finally determined. The proceeds from the sales of residential properties in the United Kingdom and continental Europe had previously been placed on escrow accounts by the English Courts pending on the outcome of the case brought by Kevin Stanford against LBI in Iceland. Resulting from the Icelandic case being discontinued and finally determined, LBI expects the equivalent of EUR 21.4 million to be released from escrow shortly.

## PRO FORMA BOOK VALUE OF THE OUTSTANDING CONVERTIBLE NOTES

TOTAL ASSET VALUE AS OF 31 DECEMBER 2017	183,785
LESS: OTHER LIABILITIES	(2,493)
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CONVERTIBLE NOTE BOOK VALUE AS OF 31 DECEMBER 2017	181,292
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NOMINAL VALUE OF CONVERTIBLE NOTES AS OF 31 DECEMBER 2017	668,764
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<b>IMPLIED RECOVERY OF CONVERTIBLE NOTES OUTSTANDING</b>	<b>27.1%</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 Q4 2017

<b>BUDGET FOR 2017</b>	<b>Q4</b>	<b>Q3</b>
Budgeted operating expenses .....	3,933	3,231
Actual operating expenses .....	3,724	4,646
<b>DIFFERENCE</b>	<b>209</b>	<b>(1,415)</b>

<b>SALARIES AND RELATED EXPENSES</b>	<b>Q4</b>	<b>Q3</b>
Salaries.....	2,271	2,147
Pension fund.....	280	266
Other salary related expenses.....	177	167
<b>TOTAL</b>	<b>2,728</b>	<b>2,579</b>
Of which: ISK.....	1,560	1,555
Of which: non-ISK.....	1,168	1,024
<b>TOTAL</b>	<b>2,728</b>	<b>2,579</b>

<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	<b>Q4</b>	<b>Q3</b>
External advisors.....	658	1,932
Premises expenses.....	6	41
Other expenses.....	332	124
<b>TOTAL</b>	<b>996</b>	<b>2,097</b>
Of which: ISK.....	837	887
Of which: non-ISK.....	159	1,210
<b>TOTAL</b>	<b>996</b>	<b>2,097</b>

- Operational streamlining and cost reductions continue at pace with asset monetisation.
- Excluding the CEO, the number of full-time employees decreased to 6 by year end and further to 5 in Q1 2018.
- Reported salaries and related cost increase between periods is partially due to termination costs associated with employee redundancies.
- Cost from contracts with advisors and service providers continues to reduce.

## OPERATIONAL EXPENSES POST 2017

	TOTAL	2018	2019	2020	2021	2022	2023
<b>TOTAL OPERATING EXPENSES</b>	<b>20,441</b>	<b>10,009</b>	<b>3,977</b>	<b>2,345</b>	<b>1,175</b>	<b>1,107</b>	<b>1,828</b>
Salaries and related expenses .....	13,434	6,303	2,662	1,459	787	754	1,469
General and administrative expenses ...	7,007	3,705	1,315	886	388	354	359
<b>External Advisors .....</b>	<b>4,971</b>	<b>3,108</b>	<b>1,046</b>	<b>276</b>	<b>193</b>	<b>171</b>	<b>177</b>
Domestic legal services .....	2,404	1,655	699	22	10	10	10
Domestic other services .....	337	99	63	44	44	44	44
Foreign legal service .....	1,593	897	234	170	110	88	94
Foreign other service .....	637	457	50	40	30	30	30
Premises expenses .....	191	63	38	38	17	17	17
<b>Other expenses .....</b>	<b>1,846</b>	<b>534</b>	<b>231</b>	<b>572</b>	<b>178</b>	<b>166</b>	<b>166</b>
IT and related expenses .....	725	197	131	107	97	97	97
Other operational costs .....	1,121	337	100	464	82	69	69

- EUR 10.5 million in salaries and related expenses are contractually fixed.
- EUR 1.9 million in domestic legal services are contractually fixed.
- Budget post Q1 2019 excludes salaries and related expenses for CEO and Board of directors.
- Budget for operational expenses post 2017 is EUR 20.4 million, including EUR 3.0 million of LTIP.

## ADMINISTRATION OF LBI GOING FORWARD

- Ongoing Cost Rationalization
  - Ongoing work to reduce costs from external service providers
  - Continued regular revisit of need for domestic and foreign advisors
- Explore Insourcing / Reduction in Use of External Advisors and Service Providers
  - Preparation of LBI's financial statement, financial statements for LBI's subsidiaries and the quarterly management accounts.
  - Convertible Note paying agent, registrar and related services agreements
  - Loan portfolio management
- It is expected that LBI will maintain its office and current corporate structure at least until end of Q1 2020
  - LBI will review on annual basis its need for housing, employees and mandate for the board of directors
  - Housing cost has reduced to EUR 63 thousands in 2018. It is expected that this cost will reduce further post 2018
  - Salary and related expenses is contractually fixed until end of Q1 2019
    - It is expected that this cost will reduce post Q1 2019
    - Beside the CEO, 1.5-2.0 full-time employee positions are expected to be needed in Q1 2019 – Q1 2020.
- Landsbanki Luxembourg Estate
  - Landsbanki Luxembourg estate assets, currently mainly c. 270 mortgage exposures secured by residential real estate in France and Spain, may be transferred to LBI at a later stage
  - Future potential work related to Landsbanki Luxembourg estate above assets needs to be considered when down-sizing LBI's operations, including the potential assistance of local property management companies in marketing and selling real estate assets

# CASH AND RESTRICTED CASH

CASH	31/12/2017	30/09/2017	RESTRICTED CASH	31/12/2017	30/09/2017
Non-ISK.....	34,223	22,045	ISK cash with respect to Retained Assets.....	0	16,546
ISK Opex Reserve Fund.....	529	1,495	Indemnity Fund.....	19,861	19,883
<b>TOTAL</b>	<b>34,752</b>	<b>23,540</b>	Trustee Indemnity Fund.....	230	233
			<b>TOTAL</b>	<b>20,090</b>	<b>36,662</b>

- Cash
  - Non-ISK cash at end of Q4 2017 amounted to EUR 34.2 million.
  - ISK Opex Reserve Fund of EUR 0.5 million has been depleted during Q1 2018
  
- Restricted cash
  - In Q4 2016, LBI received a payment of ISK 2.1 billion (2017: EUR 16.5 million, 2016: EUR 17.3 million) from Brim hf. (as a Retained Asset).
    - Previously, Brim payment has been reported as Restricted Cash and a corresponding amount reported as an Additional Stability Contribution.
    - As the payment will either be reimbursed by LBI to Brim hf. or transferred to CBI as an Additional Stability Contribution, the full amount has been reclassified, taken off balance sheet, and is neither reported as Restricted Cash nor as an Additional Stability Contribution as of 31 December 2017.

# LOANS TO CUSTOMERS

LOANS TO CUSTOMERS BY SECTOR	31/12/2017	30/09/2017	LOANS TO CUSTOMERS BY COUNTRY	31/12/2017	30/09/2017
Real Estate.....	28,998	28,450	UK.....	20,976	20,882
Services.....	325	325	France.....	6,270	6,270
Retail.....	1,054	1,161	Germany.....	25	25
Other.....	1,645	1,405	Netherlands.....	21	21
			Other Europe.....	4,730	4,144
<b>TOTAL</b>	<b>32,021</b>	<b>31,341</b>	<b>TOTAL</b>	<b>32,021</b>	<b>31,341</b>

- Estimated recovery for Real estate lending (loans by Sector) is mainly loans (i) whose collateral has already been sold but where proceeds will not be released to LBI until certain legal proceedings in Iceland are finished and (ii) loans whose collateral and unpledged assets has been, or will be sold by a UK bankruptcy trustee.
- Estimated recovery for Other Europe (loans by Country) is based on expected payments, (i) mainly from loans whose pledged real estate in Spain will be sold by a UK bankruptcy trustee and (ii) 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	59.9	150.9	119.6	58.1	108.7
Spain	200	61.9	141.2	99.3	54.1	93.7
Other	2	.7	.9	.6	.4	.6
<b>TOTAL</b>	<b>268</b>	<b>122.5</b>	<b>293.0</b>	<b>219.5</b>	<b>112.5</b>	<b>202.9</b>

Numbers in EUR millions

- Loan balances shown above have been updated as of 31 December 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.

## 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
KAS Bank	GMSLA	Valuation	Iceland / UK	3,091
BNP Paribas	Deposit Account	Potential 3rd party claims	Belgium	1,768
Greif International Holding	ISDA	Suspended payment	UK	1,490
			<b>TOTAL</b>	<b>27,258</b>

- LBI has appealed to the UK Court of Appeal the ruling on its case against Raiffeisen in the UK Royal Courts of Justice: main hearings are scheduled for 27 March 2018.
- LBI has filed its claim against HSBC with the Milan Court in March 2017. The first procedural hearing took place on 6 February 2018 and the next hearing is scheduled for 13 September 2018.
- In Q1 2018, BNP Paribas agreed to pay EUR 1.1 million as a partial release of the amounts held on escrow shown above.
- On 28 February 2018, LBI lodged a claim for declaratory relief against Greif International Holding B.V., as subsidiary of Greif, Inc, (NYSE: GEF) with the UK High Court of Justice.

# 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		9,181	4,629	13,810	Next procedural hearing expected in Q2 2018
<b>Bond buy-back (6 cases)</b>	<b>Iceland</b>	<b>48</b>	<b>2,288</b>	<b>1,170</b>	<b>3,505</b>	<b>Cancelled after the end of the reporting period</b>
Money Market claims (223 cases)	Iceland	2,274	3,180	1,603	7,057	Several main hearings completed, rulings expected soon
Goldman Sachs	Iceland		3,187	1,607	4,794	ISDA closeout, District Court ruling expected in April
Contingent Heritable claims (67)	N/A	786	2,083	1,050	3,920	Awaiting final distribution by the Bank's administrators
KAS Bank	Iceland	12	851	429	1,292	Next procedural hearing expected in Q2 2018
	<b>TOTAL CONTINGENT</b>	786	2,083	1,050	<b>3,920</b>	
	<b>TOTAL DISPUTED</b>	2,333	18,687	9,438	<b>30,457</b>	
	<b>TOTAL RESERVES</b>	3,119	20,770	10,488	<b>34,378</b>	

- The table above shows the status of reserves on escrow at the end of 2017
  - Reserves under Contingent Heritable claims will be reversed to the extent that claimants receive further distributions from the Heritable estate.
  - LBI lost its remaining rescission cases against six foreign financial institutions in the District Court of Reykjavik on 22 December 2017. After the period LBI decided not to appeal the rulings. Following this, reserves held for remaining Bond buy-back/rescissions cases (6) have been reversed during Q1 2018



## 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.
  - On 27 February 2018, the result of a procedural hearing at the District Court of Reykjavik was that the main hearing of the three cases would start on 29 October 2018. The main hearings are expected to last for 3-6 weeks.
  
- Disputed Art. 113 claims
  - **FSCS.** On 9 October 2017, the District Court of Reykjavik ruled in the favour of LBI dismissing the claims. The ruling has since been reversed by the Supreme Court of Iceland. Following a submission of an assessors report requested by FSCS the date of the next procedural hearing before the District Court will be decided.
  - **Money Market cases (223 cases).** In process before the District Court of Reykjavik. Several of the main hearings in identified test cases have already been held, rulings for these cases are now expected in the first half of 2018.

## MONETISATION PLAN FOR NEXT 12 MONTHS

ASSET CATEGORIES	2018				TOTAL
	Q1	Q2	Q3	Q4	
Loans to customers .....	2,387	22,938	3,232	1,580	30,136
Equities and bonds .....	107			56	163
Claims on bankrupt estates .....	2,900		805	501	4,206
Other assets and other sources ....		1,126	5,676		6,802
<b>TOTAL</b>	<b>5,394</b>	<b>24,063</b>	<b>9,712</b>	<b>2,138</b>	<b>41,307</b>

AMOUNTS IN EUR EQUIVALENT	2018				TOTAL
	Q1	Q2	Q3	Q4	
USD .....			5,676		5,676
GBP .....	1,273	15,152	805	57	17,287
EUR .....	3,093	7,876	3,099	1,580	15,648
Other .....	1,027	1,036	132	501	2,696
<b>TOTAL</b>	<b>5,394</b>	<b>24,063</b>	<b>9,712</b>	<b>2,138</b>	<b>41,307</b>

- Expected cash from Landsbanki Luxemburg of EUR 2.9 million has been received.
- EUR 21.4 million of the reported amounts in Q2 is due to release of funds from escrow following the discontinuation and final determination of the case against Kevin Stanford.
- EUR 5.7 million reported in Q3 is due to the expected sale of real estate in the US.

## UPCOMING KEY EVENTS

- Annual General Meeting to be held in Reykjavik on 18 April 2018

# Q&A