

LBI ehf.
Management Accounts
1 April 2016 to 30 June 2016

- Fulfilment of the Composition Agreement finalised on the 14th of April 2016
 - An Annual General Meeting of LBI ehf. was held where the control of the company was handed over to the previous general unsecured creditors
 - A new board of LBI ehf. was appointed, replacing the Winding-up Board
 - Rich Katz as Chairman, Christian A. Digemose and Kolbeinn Árnason
 - Ársæll Hafsteinsson was appointed as CEO
- In the period the reporting format changed in various respects
 - Functional & reporting currency changed from ISK to EUR
 - Format of financial information changed to match general accounting standards
 - Assets have been re-categorized for compliance and improved clarity
- Focus on international best practice investor relations
 - Financial information of LBI has been made available on LBI's public website
 - Access to financial information improved for existing and prospective investors
 - Dedicated investor relations contact
 - New website in progress and launch expected this fall
- Various operational changes have followed from changes in management
 - Considerable reductions have been made in operational expenses
 - Operational streamlining continues
- LBI intends to hold a shareholder meeting in September 2016

Drivers of financial change in the period

Asset categories	31/03/2016	Net cash received	FX change	Value-change	Income	Op ex. and Stability Contr.	Note redemption	Taken off-balance-sheet	30/06/2016
Cash	62,003	49,963	1,311		11	(7,521)	(60,056)		45,711
Restricted cash	65,230		993		(21)	(2,458)			63,744
Landsbankinn term deposit	90,875	54,182	(2,618)		964				143,403
Landsbankinn bonds	866,364	(27,082)	9,933		6,804				856,018
Loans to customers	292,469	(67,601)	(1,787)	(17,462)	2,421			(4,001)	204,039
Equities and bonds	4,734	(336)	(129)	902					5,170
Claims on bankrupt estates	71,553	(479)	105	508					71,688
Other assets	39,006	(8,647)	268	14,951					45,577
Total	1,492,232	0	8,075	(1,101)	10,178	(9,979)	(60,056)	(4,001)	1,435,350

- Net cash of EUR 50.0 million realised over the quarter and EUR 60.1 million of the Convertible Notes redeemed
 - Loans to customers is reduced by EUR 84.4 million, mainly loan repayment from a Czech food production company of EUR 70 million and partially offset by seasonal drawings under RCFs
 - In the period Landsbankinn prepaid EUR 20 million into Landsbankinn Bonds series 2022
 - EUR 54.2 million top-up of Landsbankinn term deposit
- Net valuation change reflects regular reassessments of value, revisions to the Company's overall asset valuation methodology and realisations over the period
- Income of EUR 10.2 million driven largely by Landsbankinn Bonds and largest loans to customers exposure
- Certain exposures taken off-balance-sheet for strategic reasons and in line with reclassification of assets
- Damage and voiding cases referenced in the Company's Q1 2016 Financial Information at an estimated value of EUR 48.1 million, but not recorded in LBI's Management Accounts for the quarter ended 31 March 2016, similarly remain classified as off-balance-sheet items

New groupings

Cash

- Unrestricted cash

Restricted cash

- ISK reserves
- Indemnity funds
- Stability contributions

Landsbankinn term deposits

Landsbankinn bonds

Loans to customers

Equities and bonds

- Securities derived from loans

Claims on bankrupt estates

Other assets

- Claims on entities which have completed composition
- Unsettled derivatives
- Real estate

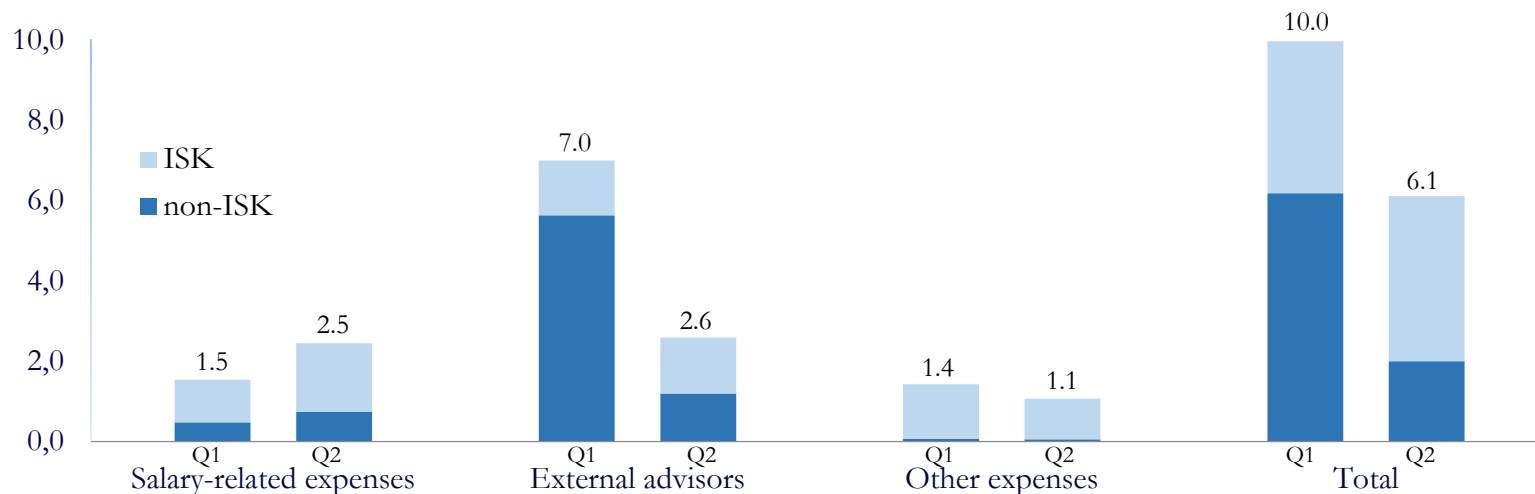
Off-Balance-Sheet – certain litigation assets

- Benefits of the reclassification include that it:
 - Groups assets with similar risk and management requirements
 - Groups assets based on whether the recoveries are principally driven by outcome of business performance or legal resolutions
 - Manages balance of transparency versus disclosure for assets whose recovery is subject to third-party negotiations
 - Provides improved compliance with generally accepted accounting principles
- Note 23 in the Management Accounts provides a bridge for the relevant amounts and number of cases

	2016	2016
	<u>1/4 - 30/6</u>	<u>1/1 - 31/3</u>
Cash and restricted cash balances....	(10)	91
Landsbankinn term deposit.....	964	0
Landsbankinn bonds.....	6,804	6,406
Loans to customers.....	2,421	1,432
Fee income.....	0	1,902
Total	<u>10,178</u>	<u>9,832</u>

- Income in the period was a total EUR 10.2 million, mainly from Landsbankinn
- Accrued interest on Landsbankinn term deposit for both Q1 and Q2 is recognised in Q2
- Increase of EUR 1.0 million in Loans to customers is primarily driven by changes in the terms of the largest exposure
- Fee income of EUR 1.9 million in Q1 was due to awarded legal costs

Operating expenses are decreasing



- Total operating expenses decreased by 39% and are about 20% below operational budget for the period
- Domestic and foreign legal and expert cost lowered by EUR 4.4 million
- Number of employees have gone down by nine in the period; salary-related expenses increased due to redundancy payments
- Members of the Winding-up Board with associates, a total of 8 people, have relocated from LBI's offices
- Reykjavik operations moved to a smaller office in the same building, considerably lowering costs going forward
- London office will be closed before end Q3 2016
- Operational streamlining continues, in line with budget
- Operational expenses are well covered by Landsbankinn interest payments

Loans to customers with breakdown by sector and country

Sector			Country		
	<u>30/06/2016</u>	<u>31/03/2016</u>		<u>30/06/2016</u>	<u>31/03/2016</u>
Fishery.....	106,365	97,406	Canada.....	106,365	97,406
Food Production.....		70,000	UK.....	50,452	69,246
Services.....	37,964	50,640	France.....	26,331	32,497
Real Estate.....	35,413	38,345	Germany.....	4,963	5,835
Industrial Products.....	13,172	14,449	Netherlands.....	4,901	3,020
Retail.....	8,157	13,874	Other Europe.....	11,027	84,465
Other.....	2,968	7,754	Total	<u>204,039</u>	<u>292,469</u>
Total	<u>204,039</u>	<u>292,469</u>			

- Increase of EUR 9.0 million in Canadian fisheries is due to seasonal drawdowns
- Reduction of EUR 70.0 million is due to a payment received from a Czech food production company
- Services goes down by EUR 12.7 million mainly due to reassessment of value
- Real Estate goes down by net EUR 2.9 million mainly due to valuations changes of underlying collateral
- Retail goes down by EUR 5.7 million mainly due to valuation changes
- Other loans are mainly reduced by a reclassification of EUR 4.0 million which was moved off-balance-sheet

Disputed and Contingent Art. 113. claims are fully reserved for **LBI**

Lodged amount of disputed and contingent claims

	<u>30/06/2016</u>	<u>31/03/2016</u>
Disputed claims, beginning of period..	349,957	376,859
Contingent claims.....	31,587	31,587
Finally rejected claims.....	(13,530)	(26,748)
Finally accepted claims.....	(30)	(154)
Total	<u>367,985</u>	<u>381,544</u>

Reserves for disputed and contingent claims

	<u>30/06/2016</u>	<u>31/03/2016</u>
De Minimis Payments.....	2,537	3,050
Convertible Notes.....	55,342	59,300
Convertible Notes redemption	1,677	0
Authorised unissued shares.....	367	379
Total	<u>59,923</u>	<u>62,729</u>

- Convertible Notes have been issued to escrow to cover all outstanding disputed and contingent claims
- The disputed and contingent claims balance has not changed much in the period
- LBI will receive Notes and redemption payments made toward such Notes from escrow when claims become finally rejected
- Escrowed De Minimis Payments relating to disputed and contingent claims will also be returned to LBI when claims become finally rejected
- The ten largest Art. 113. disputed cases represent 81% of the total disputed amount
- All disputed claims have been referred to the courts
- Court rulings resolving most cases are expected within the next 18 months

Disputed Priority claims

	30/06/2016	31/03/2016
Disputed priority claims, beginning of period.....	534,159	804,982
New filed priority claims during the period.....	0	0
Finally rejected priority claims.....	(20,794)	(271,815)
Finally accepted priority claims.....	0	0
FX difference.....	(45,274)	991
Total	<u>468,090</u>	<u>534,159</u>

- The Glitnir case of EUR 314.4 million is awaiting assignment of a new District Court judge who will subsequently decide on timetable
- The Kaupthing case of EUR 81.1 million is before the District Court; LBI is scheduled to submit its pleadings this September
- The claim from an individual for EUR 72.3 million is also before the District Court and will be tried this or next year
- LBI currently expects a final ruling on each of the above cases within 18 months
- LBI is aggressively pursuing off-balance-sheet damage and voiding cases as detailed in Note 28

Monetisation Plan For Next 12 Months

Asset categories

	2016		2017	
	Q3	Q4	Q1	Q2
Restricted cash		(19,852)		
Landsbankinn term deposit .	594	587	581	594
Landsbankinn bonds	6,699	6,852	6,852	6,703
Loans to customers	8,914	107,403	14,276	798
Equities and bonds	936	3,033	500	
Claims on bankrupt estates .	5,400	11,288		
Other assets	10,203			
Total	32,746	109,310	22,208	8,094

Amounts by currency stated in EUR equivalent

	2016		2017	
	Q3	Q4	Q1	Q2
USD	14,134	4,588	4,587	4,492
GBP	1,099	1,414	10,861	303
EUR	14,249	16,226	6,243	2,782
CAD	1,690	106,365		
ISK		(19,852)		
Other	1,574	569	516	516
Total	32,746	109,310	22,208	8,094

- As Landsbankinn bond GBP series have been fully paid, expected bond payments from Landsbankinn are now in EUR and USD
- Full repayment of Canadian fisheries loans is scheduled in Q4 2016
- Majority of expected payments in Q3 2016 have already been received
- Payment of the special financial administration tax, which is estimated at equivalent of EUR 19.9 million (ISK 2.72 billion), will be made in Q4 2016 from the ISK Priority Claim Reserve Fund as explained in Note 17