

# LBI

Management Accounts

**1 July to 30 September 2016**

## Highlights in Q3 and events after the end of period

- Payments of Landsbanki bonds of EUR 395.5 million received in the period and Notes subsequently redeemed for 418.7 million on 12 October 2016
- Receipt of Canadian fishery loan of CAD 137 million on 18 November 2016
- Three loans were sold in the period for EUR 45.1 million, representing a EUR 3.8 million increase in estimated recoverable value, collections are expected before Note redemption scheduled 15 December 2016
- Prepayment of Landsbanki Bonds Series 2020 of total USD 37.2 million including interest on 25 November 2016
- Shares were converted from ISK to EUR in the period and scheduled redemption dates on Convertible Notes have been changed for operational improvements

# Drivers of financial change in the period

Asset categories	30/06/2016	Net cash received	FX change	Value-change	Income	Operating expenses	Stability Contrib.	Note Redemption	Reserve Reversals	30/09/2016
Cash .....	45,711	432,585	(388)		18	(7,217)			535	471,244
Restricted cash .....	63,744	246	3,033		(15)		(2)			67,006
Landsbankinn term deposit .....	143,403	(1,004)	(2,267)		455					140,587
Landsbankinn bonds .....	856,018	(395,499)	(1,191)		6,386					465,714
Loans to customers .....	204,039	(15,769)	(3,757)	5,137	3,072					192,722
Equities and bonds .....	5,170	(4,031)	(57)	1,386						2,468
Claims on bankrupt estates .....	71,688	(6,086)	(40)	(4,506)						61,056
Other assets .....	45,577	(10,442)	95	1,115						36,345
<b>Total</b>	<b>1,435,350</b>	<b>0</b>	<b>(4,572)</b>	<b>3,133</b>	<b>9,916</b>	<b>(7,217)</b>	<b>(2)</b>	<b>0</b>	<b>535</b>	<b>1,437,143</b>

- Net cash of EUR 432.6 million realised over the quarter
  - Payments of Landsbanki bonds of EUR 395.5 million
  - Loans to customers with receipts of EUR 15.8 million
- Net value increase of EUR 5.7 million in Loans to customer is mainly driven by loans sold at the end of the period
- Value decrease of EUR 4.5 million in Claims on bankrupt estates is due to part of recoveries from the Baugur estate is now expected to be received in ISK
- Restricted cash increased by EUR 246 thousand (USD 275 thousand) due to the first of four instalment in establishing an indemnity fund for Wilmington Trust as Bond Trustees of USD 1.1 million

# Interest, dividend and fee income

	<u>1/7 - 30/9</u>	<u>1/4 - 30/6</u>
Cash and restricted cash balances .....	3	(10)
Landsbankinn term deposit .....	455	964
Landsbankinn bonds .....	6,386	6,804
Loans to customers .....	3,072	2,421
Fee income .....	0	
<b>Total</b>	<u>9,916</u>	<u>10,178</u>

- Income in the period was a total EUR 9.9 million mostly from Landsbankinn
- Interest income on the Landsbankinn term deposit in the previous period reflects a recognition of interest accrual for both the first and second quarter of 2016
- Future income will decrease considerably due to
  - Prepayments of Landsbankinn bonds
  - The sale of three large loans from Loans to customer shortly before the end of the period
  - Repayments of loans from Canadian fishery company for CAD 137 million after the end of the period

# Operating expenses increase in the period

	<u>1/7 - 30/9</u>	<u>1/4 - 30/6</u>
External advisors.....	4,945	2,733
Administrative expenses.....	0	
Premises expenses.....	56	123
Other expenses.....	808	810
	810	
<b>Total</b>	<u>5,810</u>	<u>3,666</u>
Of which: ISK.....	3,488	2,409
Of which: non-ISK.....	2,322	1,257
<b>Total</b>	<u>5,810</u>	<u>3,666</u>

- And increase of EUR 1.3 million is explained by Icelandic value added tax paid expensed in the period in relation to amounts expensed in prior periods
- Expenses incurred in the third quarter additionally includes EUR 0.5 million relating to services provided in connection with the Company's composition

# Loans to customers with breakdown by sector and country

<b>Sector</b>	<u>30/09/2016</u>	<u>30/06/2016</u>	<b>Country</b>	<u>30/09/2016</u>	<u>30/06/2016</u>
Fishery.....	96,200	106,365	Canada.....	96,200	106,365
Services.....	41,570	37,964	UK.....	50,934	50,452
Real Estate.....	29,636	35,413	France.....	29,261	26,331
Industrial Products.....	14,204	13,172	Germany.....	4,931	4,963
Retail.....	8,252	8,157	Netherlands.....	20	4,901
Other.....	2,860	2,968	Other Europe.....	11,376	11,027
<b>Total</b>	<u>192,722</u>	<u>204,039</u>	<b>Total</b>	<u>192,722</u>	<u>204,039</u>

- Decrease in Canadian fishery loan compared to prior period is due to seasonal repayments
- Canadian fishery loan of CAD 137 million was fully paid after the end of the period
- Three loans were sold in the period for EUR 45.1 million, representing a EUR 3.8 million increase in estimated recoverable value

# Disputed and Contingent Art. 113. claims

<b>Reserves for Disputed Art. 113 claims</b>	<u>30/09/2016</u>	<u>30/06/2016</u>	<b>Reserves for Contingent Art. 113 claims</b>	<u>30/09/2016</u>	<u>30/06/2016</u>
DMP .....	3,003	3,003	DMP Contingent.....	810	810
Convertible Notes (Nominal Value).....	57,627	57,627	Convertible Notes Contingent.....	4,784	4,784
Convertible Notes redemption payments.....	1,746	1,746	Convertible Notes redemption payments Contingent.....	141	141
Authorised unissued shares.....	367	367	Convertible Notes allocated back to LBI.....	0	0
			Convertible Notes redemption payments allocated back to LBI.....	0	0
			Authorised unissued shares.....	27	27
<b>Subtotal</b>	<u>62,743</u>	<u>62,743</u>			
Reserves held for claims finally rejected during period.....		(2,820)	<b>Total</b>	<u>5,762</u>	<u>5,762</u>
Reserves reversed to LBI during period.....	(2,820)				
Authorised unissued shares allocated to Contingent Claims.....	(27)				
<b>Total</b>	<u>59,896</u>	<u>59,923</u>			

- Total reserves amounting to EUR 2,820 thousand reversed in the period
  - DMP (EUR 466 thousand)
  - Convertible Notes (EUR 2,285 thousand in nominal value)
  - Convertible Note redemption payments (EUR 69 thousand)
- The reversal of reserves are reflected in the Income Statement and the Balance Sheet on the basis of the stated value of the Convertible Notes (EUR 1,556 thousand) returned to LBI
- Reversed Convertible Notes will be cancelled prior to next redemption payment and cancelled when reversed going forward

# Monetisation plan for next 12 months

## Asset categories

	2016		2017	
	Q4	Q1	Q2	Q3
Landsbankinn term deposit .....	552	546	558	558
Landsbankinn bonds .....	36,023	3,226	4,065	4,110
Loans to customers .....	143,912	7,551	7,695	5,628
Equities and bonds .....		400	1,837	200
Claims on bankrupt estates .....	5,456			
Other assets .....	713	4,473	484	7,800
<b>Total</b>	<b>186,656</b>	<b>16,197</b>	<b>14,640</b>	<b>18,297</b>

## Amounts by currency stated in EUR equivalent

	2016		2017	
	Q4	Q1	Q2	Q3
USD .....	44,969	3,166	4,136	11,784
GBP .....	28,734	6,644	446	646
EUR .....	15,717	4,963	8,551	5,378
CAD .....	96,750			
Other .....	485	1,424	1,507	490
<b>Total</b>	<b>186,656</b>	<b>16,197</b>	<b>14,640</b>	<b>18,297</b>

- Most of projected collections in Q4 are already received
  - Loans to Canadian fishery company repaid for CAD 137 million
  - Collections on three Loans to customers sold in the period for EUR 45.1
  - Prepayment of USD 36 million from Landsbankinn