



## 2016 FINANCIAL STATEMENT – INVESTOR CALL

12:00 GMT – 20 APRIL 2017

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- LBI ehf. (formerly Landsbanki Íslands hf.) (“LBI”) was in winding-up proceedings in accordance with the provisions of Act no. 161/2002 on Financial Undertakings as amended until 25 December 2015, when a composition agreement between LBI ehf. and its creditors became effective and binding in accordance with Icelandic law (the “Composition Agreement”).
- The Information contain a summary of some of the principal issues concerning the Company but is not necessarily and should not be regarded as an exhaustive list of all developments which Noteholders may consider material.
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## KEY DEVELOPMENTS IN Q4 2016

- In November a Canadian fishery company fully repaid its outstanding loans of CAD 137 million. LBI led the restructuring of the business in 2010 and supported its operation as the sole lender until the company's turned-around operations allowed a domestic refinancing to occur.
- Controlled monetisation of three other leveraged loan exposures resulted in recoveries totalling EUR 44.6 million.
- Landsbankinn prepaid USD 77.0 million on outstanding principal of USD Bond Series 2020 in the period.
- Two Convertible Note redemptions occurred, first, for EUR 418.7 million on 12 October (from proceeds received in Q3), and second, for EUR 238.5 million on 15 December. The nominal outstanding of Convertible Notes at year end, net of cancellations and Notes held by LBI, was EUR 1,307.5 million.

## DRIVERS OF FINANCIAL CHANGE IN Q4 2016

ASSET CATEGORIES	30/09/2016	NET CASH RECEIVED	FX CHANGE	VALUE-CHANGE	INCOME	OPERATING EXPENSES	STABILITY CONTRIB.	NOTE REDEMP.	RESERVE AND OTHER REVERSALS	31/12/2016
Cash .....	471,244	224,895	2,836		1,093	(9,091)		(657,252)	8,699	42,425
Restricted cash .....	67,006	17,054	3,674		2,022					89,757
Landsbankinn term deposit ...	140,587	(560)	949		564					141,540
Landsbankinn bonds .....	465,714	(76,660)	26,681		4,462					420,197
Loans to customers .....	192,722	(146,441)	1,920	(1,619)	1,612					48,194
Equities and bonds .....	2,468	(129)	5	3,418						5,763
Claims on bankrupt estates ...	61,056	(350)	31	26,143			(6,091)			80,789
Other assets .....	36,345	(755)	281	(3,458)						32,412
Other assets - ISK Retained ...		(17,054)		17,054						
Other receivables .....						1,097				1,097
<b>TOTAL</b>	<b>1,437,143</b>	<b>0</b>	<b>36,378</b>	<b>41,539</b>	<b>9,753</b>	<b>(7,994)</b>	<b>(6,091)</b>	<b>(657,252)</b>	<b>8,699</b>	<b>862,175</b>

- Convertible Notes were redeemed in the period for EUR 657.3 million.
- Net cash of EUR 224.9 million was realised over the quarter
  - Payments on Landsbanki bonds of EUR 76.7 million
  - Loans to customers with receipts of EUR 146.4 million
- Other assets – ISK Retained relates to payment of ISK 2.1 billion (EUR 17.1 million into Restricted cash) from Brim hf., and is subject to an unpaid Additional Stability Contribution of same amount (liability at year end).
- The EUR 26.7 million value increase in Claims on bankrupt estates includes EUR 18.7 million increased value of claims against the Landsbanki Luxembourg estate, EUR 1.6 million increased value of claims against the Heritable Bank estate and EUR 6.1 million increased value on claims against the Baugur estate (which is subject to paid Additional Stability Contribution liability of same amount).
- EUR 8.7 million in Reserve and Other Reversals is explained by cash transfer of EUR 5.4 million from escrow on account of finally rejected Art. 113 claims and cash allocation from DBTCA of EUR 3.3 million.

## KEY EVENTS AFTER THE BALANCE SHEET DATE

- LBI received a payment in Q1 of 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 distribution described below.
- LBI took over the operation of a UK based services company in 2011 and 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.
- LBI lost its unsettled derivatives case against Raiffeisen in the UK Royal Courts of Justice on 20 March and has since sought permission to appeal the judgement.
- On 14 March 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).
- In March LBI returned to the CBI the remainder of the ISK Priority Claims Reserve Fund as specified priority claims had all been cancelled. LBI secured the right to retain funds received from ISK “Retained Assets” (0-value assets) until third-party claims to such funds are expunged (now only payment from Brim hf. of ISK 2.1 billion or EUR 17.1 million).
- LBI made a EUR 299.2 million redemption payment on the Convertible Notes on 5 April.
- LBI and Kaupthing settled a long-running claim dispute. Results of this settlement are not included in the Q4 financials and will provide an estimated EUR 5.7 million uplift to estimated recoveries (Other assets) in Q1. Kaupthing’s Art. 110 priority claim into LBI’s estate had previously been withdrawn.

## DISTRIBUTIONS SINCE COMPOSITION

DATE	EVENT	NOMINAL	% OF ISSUED AMOUNT
23 March 2016	Issuance of Convertible Notes	2,041,382	
14 April 2016	Unscheduled distribution	(16,500)	0.8%
30 June 2016	Scheduled distribution	(43,556)	2.1%
12 October 2016	Unscheduled distribution	(418,714)	20.5%
15 December 2016	Cancellation of notes	(1,802)	0.1%
15 December 2016	Scheduled distribution	(238,538)	11.7%
05 April 2017	Cancellation of notes	(14,756)	0.7%
05 April 2017	Unscheduled distribution	(299,167)	14.7%
<b>TOTAL REDEMPTION TO DATE</b>		<b>(1,033,033)</b>	<b>50.6%</b>
<b>REMAINING OUTSTANDING AMOUNT</b>		<b>1,008,350</b>	<b>49.4%</b>

- At composition it was forecast that LBI would pay down the Convertible Notes by EUR 346.4 by end of 2016 and that it would take until end of 2020 to reach the EUR 1 billion benchmark that has already been exceeded.
- Approximately 73% of the monetisation is from Landsbankinn prepayments and approximately 24% is from Loans to customers.

## CURRENT PRO FORMA BOOK VALUE OF THE OUTSTANDING CONVERTIBLE NOTES

TOTAL ASSET VALUE AS OF 31 DECEMBER 2016	862,175
LESS: ISK TAX LIABILITIES	(19,525)
LESS: ISK ASSETS SUBJECT TO STABILITY CONTRIBUTION	(50,023)
LESS: OTHER LIABILITIES	(7,147)
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CONVERTIBLE NOTE BOOK VALUE AS OF 31 DECEMBER 2016	785,479
LESS: 5 APRIL 2017 CONVERTIBLE NOTE REDEMPTION PAYMENT	(299,167)
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PRO FORMA CONVERTIBLE NOTE BOOK VALUE AS OF 31 DECEMBER 2016	486,312
NOMINAL VALUE OF CONVERTIBLE NOTES AS OF 5 APRIL 2017	1,008,350
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<b>IMPLIED RECOVERY OF CONVERTIBLE NOTES OUTSTANDING AS OF 5 APRIL 2017</b>	<b>48.2%</b>
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- Above numbers are on pro forma basis only and do not adjust for post year end developments other than the redemption payment made on 5 April 2017.
- The numbers also include cash (in both FX and ISK) that is expected to be spent on operational expenses.

## CASH AND RESTRICTED CASH

CASH	31/12/2016	31/12/2015	RESTRICTED CASH	31/12/2016	31/12/2015
Non-ISK.....	31,420	1,533,896	ISK Priority Claims Reserve Fund.....	52,283	42,350
ISK Opex Reserve Fund.....	11,005	22,230	ISK cash with respect to Retained Assets.....	17,265	45,133
			ISK cash on escrow.....	0	12,222
			Indemnity Fund.....	19,949	20,000
			Trustee Indemnity Fund.....	260	0
<b>TOTAL</b>	<b>42,425</b>	<b>1,556,126</b>	<b>TOTAL</b>	<b>89,757</b>	<b>119,706</b>

- Cash
  - Non-ISK cash at end of 2016 amounted to EUR 31.4 million.
  - ISK Opex Reserve Fund is expected to be depleted during 2017.
  
- Restricted cash
  - ISK Priority Claims Reserve Fund was in March 2017 used to pay Special Financial Administration Tax for 2015 and the remainder returned to the CBI.
  - 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. This ISK cash is subject to an unpaid Additional Stability Contribution of same amount (liability at end of 2016).



## LANDSBANKINN TERM DEPOSITS AND BONDS

	31/03/2017	31/12/2016
Term deposit with Landsbankinn (EUR).....	72,609	72,610
Term deposit with Landsbankinn (GBP).....	56,405	56,431
Term deposit with Landsbankinn (USD).....	12,360	12,500
<b>TOTAL</b>	<b>141,375</b>	<b>141,540</b>
Bond Series 2020 (USD).....	0	161,390
Bond Series 2024 (USD).....	150,067	258,807
<b>TOTAL</b>	<b>150,067</b>	<b>420,197</b>

- The contractual maturity on the outstanding Term deposit is 9 October 2018
- The Libor plus 150 bps contractual interest on the Term deposit is currently above the bank's market rate
- Landsbankinn has publicly stated in its funding plan for 2017 that it intends to fully repay the remainder of outstanding Series 2024

## LOANS TO CUSTOMERS, EQUITIES AND BONDS

LOANS TO CUSTOMERS BY SECTOR	31/12/2016	31/12/2015	LOANS TO CUSTOMERS BY COUNTRY	31/12/2016	31/12/2015
Real Estate.....	29,518	84,766	UK.....	26,988	73,790
Services.....	10,882	52,805	France.....	6,250	32,828
Retail.....	6,017	13,910	Germany.....	4,643	5,783
Fishery.....		103,852	Netherlands.....	20	3,697
Food Production.....		70,000	Canada.....		102,924
Industrial Products.....		14,992	Iceland.....		50,665
Manufacturing.....		792	Other Europe.....	10,293	84,605
Other.....	1,778	13,174			
			<b>TOTAL</b>	<b>48,194</b>	<b>354,291</b>
<b>TOTAL</b>	<b>48,194</b>	<b>354,291</b>			

- Real estate lending includes loans 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 are finished.
- During the first quarter of 2017, two of the ten largest exposures by estimated recoverable value were monetised; one, in the form of leveraged lending to a service company in the United Kingdom, was repaid in full, and another, in the form of a syndicated loan to a company in the German retail sector, was sold. Both transactions resulted in recoveries consistent with year end 2016 carrying values of EUR 9.8 million.
- EUR 3.3 million increase in Equities and bonds is due to sale of the UK services company (write-up in Q4, monetisation in Q1 2017).

## CLAIMS ON BANKRUPT ESTATES - LANDSBANKI LUXEMBOURG

- Estimated recoveries on claims against the Landsbanki Luxembourg estate have been increased by EUR 18.7 million to EUR 74.4 million based on reassessment of underlying collateral value against outstanding balances on a case-by-case basis.
- 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	58.1	143.8	111.2	56.4	99.1
Spain	207	58.5	142.7	106.2	51.0	98.4
Other	2	.7	.9	.6	.4	.6
<b>TOTAL</b>	<b>275</b>	<b>117.3</b>	<b>287.4</b>	<b>218.0</b>	<b>107.9</b>	<b>198.2</b>

- 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.
- Potential increased involvement of LBI on the collection of these assets is on hold until the outcome of the French criminal court proceedings which will be heard in early May this year

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

- LBI lost its case against Raiffeisen in the UK Royal Courts of Justice on 20 March 2017 and has since sought permission to appeal the judgement.
- LBI has recently filed its claim against HSBC with the Milan Court; the dispute was before the Icelandic District Courts until HSBC withdrew their claim in 2015.
- Commerzbank and KAS Bank cases are before the District Court of Reykjavik.

## OTHER ASSETS – CLAIMS ON ENTITIES WHICH HAVE CONCLUDED THEIR REPECTIVE WINDING-UP PROCEEDINGS

- Glitnir
  - The claim is based on a guarantee issued by Glitnir banki hf. Glitnir guaranteed two loans that LBI held against Styttta ehf. After LBI enforced against the underlying security, the remaining amount owed exceeded the maximum guarantee amount of ISK 22.5 bn. The claim was filed in the winding up of Glitnir. Glitnir's winding up board rejected the claim and the dispute was filed in the District Court of Reykjavik. The case is being litigated before the court and is expected to be heard this year.
  
- Kaupthing
  - LBI and Kaupthing have recently finalised the settlement of a disputed claim. Kaupthing's disputed Art. 113 claim, initially filed in the amount of ISK 9.2 billion, now been approved by LBI in the amount of ISK 6.0 billion. The claim will be paid by means of a set-off against LBI's already-allowed claim against Kaupthing of ISK 9.7 billion. This leaves LBI with an Art. 113 claim against Kaupthing of ISK 3.7 billion. The results of this settlement are not reflected in the Q4 accounts and will provide an estimated EUR 5.7 million uplift to estimated recoveries (Other assets) in Q1. Kaupthing's Art. 110 priority claim into LBI's estate had previously been withdrawn.

## VOIDING CASES – 19 BOND BUY-BACK CASES

- LBI has brought 19 actions before the Reykjavik district court demanding voiding of purchases by LBI of its own notes during the last six months preceding the reference date of the winding-up proceedings. The total amount of the claims is approximately EUR 40.4 million, USD 641,700 and CHF 25,476.
- Similar legal cases have been brought by the other fallen Icelandic banks on the basis of the repurchase of their respective notes. Although each of these cases has its unique features, there are several fundamental legal questions that are in dispute in all of them.
- The Supreme Court of Iceland has decided to hear three cases of this nature on 24, 26 and 28 April. One of these cases is a case brought by LBI, and two of the cases are brought by Kaupthing ehf.
- A final decision by the Supreme Court in these cases can be expected in the first half of May.

## VOIDING CASES – 19 BOND BUY-BACK CASES (CONT.)

- Decisions on these three cases will form guidance with respect to two important legal questions impacting the remainder of LBI's buyback cases.
  - **Does a purchase or redemption of own notes prior to maturity of the debt constitute a pre-payment of the debt, and if that is the case;**
  - **Will such a pre-payment be considered a part of the ordinary course of business for a bank.**
- If LBI and/or Kaupthing win on both questions in these cases, that will create a strong basis for the continuation of the other 18 cases in LBI's portfolio. However, additional legal issues can be raised in some of those cases. For example the defendants in the other cases may have a defence that the transactions in question cannot be rescinded under the relevant foreign law and that the Icelandic court is bound by that conclusion (on the basis of Article 30 of Directive 2001/24/EC on the reorganisation and winding-up of credit institutions). Another possible defence is that pursuant to legislation implementing the EU Settlement Finality Directive (92/26/EC), the transactions in question cannot be rescinded.
- In addition, each case is decided on its own facts and pleadings made by the parties, for instance on the basis of the timing of the transactions in question and the relationship between LBI and the defendant in each case.

## VOIDING CASES DETAILS

#	VOIDANCE CLAIMS IN MILLIONS			PAYMENT DATE IN 2008	POTENTIAL APPLICABLE LAW				
	EUR	CHF	USD		UK	BELGIUM	LUXEMBOURG	SPAIN	FRANCE
1	0.85			30 May	X	X	X		
2	0.68			22 Sep - 3 Oct	X			X	
3	0.97	0.03		19 Sep - 3 Oct	X			X	
4	0.28			6 Oct	X				
5	1.30			3 Jun	X				
6	4.18			7-14 Jul	X				
7	0.17			7-14 Jul	X	X	X		
8	1.88			3 Oct	X			X	
9	2.48		0.64	21 May - 30 Sep	X				X
10	0.94			26 Jun	X				
11	8.47			21 Jul - 18 Aug	X				
12	4.46			9 Jul - 9 Sep	X				
13	3.49			5-15 Aug	X				
14	1.96			24 Jun - 21 Jul	X				
15	0.09			28 Jul	X				
16	4.94			8 Sep	X				
17	0.97			4 Jun	X		X		
18	1.76			5 Aug	X				
19	0.42			2 Oct	X				
<b>TOTAL</b>	<b>40.40</b>	<b>0.03</b>	<b>0.64</b>						



## OTHER LEGAL DISPUTES BEFORE COURTS

- Damages 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. It should be noted that the total sum that can be sought from the liability insurers from all of these three cases combined is EUR 50 million.
  - These cases are currently being heard in the Icelandic courts. The proceedings have thus far however only covered the procedural side of the cases. The liability insurers are seeking to get access to information in order for court appointed assessors to be able to reconstruct the accounts of LBI on certain dates prior to October 2008.
  - This information is to a great extent protected by laws on banking secrecy and is furthermore held by Landsbankinn as a third party. In a decision in March, the Supreme Court said that the request for information was too broad and did not fulfil the statutory requirements for such a request.
  - The next instance for evaluating potential progress in these cases is at an early-June procedural hearing in the District Court of Reykjavik. LBI's attorneys will at that hearing push for a decision on a limitation of time provided for the assessors to deliver their findings.

## OTHER LEGAL DISPUTES BEFORE COURTS (CONT.)

- Kevin Stanford
  - LBI has argued that Stanford's damages/set-off claim against LBI was brought too late. We expect that the District Court of Reykjavik will hold hearings on this question in Q2. Should LBI lose on this argument, the District Court will then consider actual merits of Stanford's claim in further proceedings.
- Disputed Art. 113 claims
  - FSCS. In process before the District Court of Reykjavik. Next hearing on 1 September 2017.
  - Money Market cases (223 cases). In process before the District Court of Reykjavik. Counterparties' requested appraisal work still ongoing.
- Contingent Art. 113 claims
  - FSCS. Finally approved Art. 113 claim but contingent upon outcome of recoveries from Heritable Bank estate.
  - Giroux. Finally approved Art. 113 claim but contingent upon outcome in damage case LBI has brought against the Giroux family.

## 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		6,877	6,934	13,810	Claim for interest under a guarantee provided by LBI for Heritable, with the District Court
Bond buy-back (14 cases)	Iceland	107	4,610	4,648	9,365	Voiding claims with the Supreme court, with judgement on one case expected in Q2 2017
Money Market claims (223 cases)	Iceland	2,297	1,891	1,907	6,096	Majority of cases are on hold pending results of a few cases active with the District Court
Commerzbank	Iceland		3,736	3,767	7,502	Disputed GMRA and ISDA closeouts where LBI has counterclaims with District Court
Goldman Sachs	Iceland		2,387	2,407	4,794	Disputed ISDA closeout with the District Court
Contingent Heritable claims (67)	N/A	786	1,560	1,573	3,920	Awaiting final distribution by the Heritable Bank administrators
Giroux (2 cases)	France	24	921	928	1,873	Partially contingent damage claims, not on balance sheet, proceedings in France
KAS Bank	Iceland	12	637	643	1,292	Disputed GMSLA claim and counterclaim with the District Court
Other disputed cases (3 cases)	Iceland		1,595	1,608	3,204	With the District Court of Reykjavik
	<b>TOTAL CONTINGENT</b>	810	2,382	2,402	<b>5,595</b>	
	<b>TOTAL DISPUTED</b>	2,417	21,832	22,013	<b>46,261</b>	
	<b>TOTAL RESERVES</b>	3,227	24,214	24,415	<b>51,855</b>	

- The table above shows amounts taking into account redemption on 5 April 2017 and subsequent pro forma value of outstanding Convertible Notes on that day

## MONETISATION PLAN FOR NEXT 12 MONTHS

ASSET CATEGORIES	2017				TOTAL
	Q1	Q2	Q3	Q4	
Landsbankinn term deposit .....	552	564	564	558	2,239
Landsbankinn bonds .....	271,980	428	1,497	1,513	275,418
Loans to customers .....	12,046	1,429	5,904	992	20,371
Equities and bonds .....	3,673	1,837	253	0	5,763
Claims on bankrupt estates .....	4,639	0	0	163	4,803
Other assets and other sources .....	9,224	436	8,196	17,665	35,520
<b>TOTAL</b>	<b>302,114</b>	<b>4,694</b>	<b>16,414</b>	<b>20,892</b>	<b>344,114</b>

AMOUNTS IN EUR EQUIVALENT	2017				TOTAL
	Q1	Q2	Q3	Q4	
USD .....	281,052	507	9,623	1,592	292,775
GBP .....	13,904	440	693	1,758	16,795
EUR .....	5,793	3,535	5,768	16,725	31,820
Other .....	1,366	211	329	817	2,724
<b>TOTAL</b>	<b>302,114</b>	<b>4,694</b>	<b>16,414</b>	<b>20,892</b>	<b>344,114</b>

- Monetisation in Q1 2017 has included
  - Prepayment of EUR 272.0 million from Landsbankinn.
  - Repayments and sales in Loans to Customers and sales in Equities and bonds.
  - Distribution from the Baugur estate in Claims on bankrupt estates.

## INVESTOR MEETING IN LONDON

- LBI's management plans to host an investor meeting in London on 24 May 2017 to discuss the Q1 2017 Management Accounts.