



2019 Financial Statements – Investor Call

14:00 GMT – 28 MAY 2019

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KEY DEVELOPMENTS IN Q1 2019

- On 22 January 2019, LBI settled its dispute with KAS Bank related to the closeout calculations of a GMSLA agreement which had been referred to the District Court of Reykjavik, resulting in the release and return to LBI of reserves held in escrow.
- On 23 January 2019 LBI appealed the judgement in case E-3817/2011 (“Grettir-case”) to the Landsrettur court of appeal.
- On 12 February 2019, the Landsrettur Court of Appeal announced its ruling on a disputed Art. 113 claims lodged by Goldman Sachs against LBI. The ruling overturned the decision of the District Court and awarded Goldman Sachs a total claim of USD 24.6 million or approximately 55% of the claim lodged against LBI.
 - On 26 February 2019, Goldman Sachs applied for a permission to appeal the ruling to the Icelandic Supreme Court.
 - On 21 March 2019 the Supreme Court rejected Goldman Sachs application. Thus, the Landsrettur Appeal Court decision became final and only part of Goldman Sachs’ disputed Art. 113 claim was finally accepted.
- In February 2019, the sale of certain real estate in the US was finalised and resulted in USD 5.3 million being received by the Company during the quarter.

DRIVERS OF FINANCIAL CHANGE IN Q1 2019

ASSET CATEGORIES	31.12.2018	Net cash received	FX change	Value-change	Income	Operating expenses	Reclass	Reserve and other reversals	31.3.2019
Cash	13.958	7.924	108		6	(3.707)		2.570	20.860
Restricted cash	15.172		5			(16)			15.160
Loans to customers	10.631	(670)	0	632	52				10.645
Equities	171	(412)	18	54			400		231
Claims on bankrupt estates ..	82.003		1	243					82.246
Other assets	10.382	(6.345)	91	334			(400)		4.063
Other receivables	478	(497)	19						0
TOTAL	132.795	0	242	1.263	57	(3.723)	0	2.570	133.205

- The Company received payments of EUR 7.9 million, mainly from sale of certain real estate in the US.
- Net increase in estimated value of EUR 1.3 million mainly from reassessments of expected recoveries.
- Reclassification of EUR 0.4 million from other assets to equities is related to the settlement agreement with KAS Bank.
- Reversals from reserves on escrow is mainly from settlement agreements on the KAS Bank case and the three University funds cases (money market cases) and from 10 money market “test-cases” being discontinued and cancelled in the period.

KEY EVENTS AFTER THE BALANCE SHEET DATE

- On 23 April 2019, LBI received a dividend payment of EUR 3.7 million from the bankrupt estate of an individual following the sale of real estate in Spain pledged as collateral for the loan exposure
- On 6 May 2019, Goldman Sachs' disputed Art. 113 was resolved further to a ruling by the Landsrettur Court of Appeal (see further on this on slide 11).
- On 15 May 2019, the Landsréttur Court of appeal handed down its decision in the VBS estate's case (Disputed Art. 113 claim – money market case), confirming the Reykjavik District Court decision from 6 February 2019 to reject VBS estate claims against LBI.
 - LBI was awarded legal fee of ISK 2.3 million before the initial court and ISK 0.5 million before the appeal court.
 - VBS estate has two weeks from 15 May 2019 to submit a permission to appeal the Landsréttur Appeal Court decision to the Icelandic Supreme Court.

PRO FORMA BOOK VALUE OF THE OUTSTANDING CONVERTIBLE NOTES

TOTAL ASSET VALUE AS OF 31 MARCH 2019	133.205
LESS: OTHER LIABILITIES	(1.969)
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CONVERTIBLE NOTE BOOK VALUE AS OF 31 MARCH 2019	131.237
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NOMINAL VALUE OF CONVERTIBLE NOTES AS OF 31 MARCH 2019	588.591
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IMPLIED RECOVERY OF CONVERTIBLE NOTES OUTSTANDING	22,3%
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- The numbers include cash that is expected to be spent on operational expenses.

OPERATIONAL EXPENSES

EXPENSES VERSUS BUDGET	Q1 2019	Q4 2018
Budgeted operating expenses ...	1.331	1.826
Actual operating expenses	4.235	2.531
DIFFERENCE	(2.904)	(704)

SALARIES AND RELATED EXPENSES	Q1 2019	Q4 2018
Salaries.....	1.263	1.104
Pension fund.....	154	140
Other salary related expenses.	92	85
TOTAL	1.508	1.329

GENERAL AND ADMINISTRATIVE EXPENSES	Q1 2019	Q4 2018
External advisors.....	2.131	1.118
Premises expenses.....	10	14
Other expenses.....	586	71
TOTAL	2.727	1.202

- The difference between actual and budgeted operating expenses for Q1 2019 is primarily explained by:
 - LTIP payments on accelerated recovery from other sources;
 - External advisor costs related to the D&O cases and the settlement of three money market cases; and
 - The reversal of EUR 0.5 million to the estate of a bankrupt individual which was inadvertently received by LBI in excess of its recovery entitlement.

- On 1 April 2019 number of employees reduced from 5 to 2.

CASH AND RESTRICTED CASH

CASH	31.3.2019	31.12.2018	RESTRICTED CASH	31.3.2019	31.12.2018
Cash.....	20.860	13.958	Indemnity Fund.....	14.915	14.932
			Trustee Indemnity Fund....	245	240
TOTAL	20.860	13.958	TOTAL	15.160	15.172

- Cash
 - Cash at end of Q1 2019 amounted to EUR 20.9 million.

- Restricted cash
 - The Indemnity Fund of EUR 14.9 million is scheduled to be released to LBI in December 2025.

LOANS TO CUSTOMERS

LOANS BY SECTOR	31.3.2019	31.12.2018	LOANS BY COUNTRY	31.3.2019	31.12.2018
Real Estate.....	5.696	5.535	UK.....	2.297	2.335
Services.....	4.700	4.700	Germany.....	4.400	4.400
Other.....	249	396	Netherlands.....	21	21
TOTAL	10.645	10.631	Other Europe.....	3.928	3.875
			TOTAL	10.645	10.631

Loans by Sector

- Remaining recovery for Real Estate sector lending is mainly on loans where collateral and unpledged assets have been, or will be sold by a UK bankruptcy trustee before end of Q2 2019.
- Remaining recovery for the Service sector is mainly expected recovery on a syndicated loan secured by an equity position in a German financial institution.

Loans by Country

- Remaining recovery for UK is mainly related to loans to an individual in bankruptcy proceedings and K/S loans.
- Remaining recovery for Germany is mainly from a syndicated loan to German financial institution.
- Remaining recovery for Other Europe is mainly from a loan where pledged real estate in Spain has been sold by a UK bankruptcy trustee and from K/S loans.

OTHER ASSETS - UNSETTLED DERIVATIVES

COUNTERPARTY	CONTRACT	UNRESOLVED MATTER	JURISDICTION	BALANCE
HSBC	Nostro Account	Set-off	Italy	6.158
BNP Paribas	Deposit Account	Potential 3rd party claims	Belgium	643
TOTAL				6.800

- On 22 January 2019, LBI settled its dispute with KAS Bank related to the closeout calculations of a GMSLA agreement which had been referred to the District Court of Reykjavik. As a result, EUR 0.91 million in cash and Convertible Bonds with nominal value of EUR 0.382 million of reserves on escrow was released in the period and returned to LBI. Subsequently, the Convertible Bonds were cancelled.
- LBI has filed a claim against HSBC with the Milan Court in March 2017. The main hearing of the case has been scheduled for December 2020.
- The remaining amount of EUR 643 thousand with BNP Paribas is expected to be released from escrow in March 2020.

RESERVES ON ESCROW TOWARDS DISPUTED AND CONTINGENT ART. 113. CLAIMS

CASE OR CASE GROUP	DMP ON ESCROW	REDEMPTIONS ON ESCROW	OUTSTANDING NOMINAL	TOTAL RESERVES	COMMENTS
Money Market claims (14 cases)	106	291	124	521	Expected to be resolved/cancelled before end of Q2 2019
Goldman Sachs		3.363	1.431	4.794	Fully settled in Q2 2019
Contingent Heritable claims (67)	786	2.198	935	3.920	Awaiting final distribution by the Heritable's estate
TOTAL CONTINGENT	786	2.198	935	3.920	
TOTAL DISPUTED	106	3.654	1.554	5.314	
TOTAL RESERVES	892	5.853	2.490	9.234	

- The table above shows the status of reserves on escrow at the end of Q1 2019
- At the end of Q1 2019, 14 money market cases remained outstanding but are all expected to be resolved and/or cancelled before the end of Q2 2019 with the associated reserves on escrow being returned to LBI.
- On 23 March 2019, the Supreme Court rejected an application by Goldman Sachs to appeal a decision by the Landsrettur Court of Appeal on a disputed Art. 113 claim lodged by Goldman Sachs against LBI. Thus, the Landsrettur Appeal Court decision became final and only part of Goldman Sachs' disputed Art. 113 claim was finally accepted. As a result, cash of EUR 1.856 million and Convertible Bonds in the nominal amount of EUR 789 thousand was transferred from escrow to Goldman Sachs. Also, 1.517.444 new Class A Shares were issued and transferred to Goldman Sachs. Concurrently, cash of EUR 1.507 million and Convertible Bonds in the nominal amount of EUR 641 thousand was returned to LBI from escrow. The Convertible Bonds returned to LBI have subsequently been cancelled.
- Reserves for contingent Heritable claims will be reversed to the extent claimants receive further distributions from the Heritable estate. It is now expected that approximately 6% of the reserves will be returned to LBI.

OTHER LEGAL DISPUTES BEFORE COURTS

- Damages cases (D&O cases)
 - In January 2019 LBI appealed the judgement in case E-3817/2011 (“Grettir-case”) to the Landsrettur court of appeal.
 - The Board of LBI decided to abide by the Reykjavik District Court rulings from 28 December 2018 in cases no. E-3826/2011 (“Straumur-case”) and no. E-991/2012 (“6 October 2008-/Board of Directors-case”), but propose, on a shareholders' extraordinary general meeting (EGM) of LBI ehf., that a new action will be initiated, in which that part of the claims in the afore-mentioned cases pertaining to lending to Straumur-Burðarás Investment Bank hf. in October 2008 will be directed once more against former CEOs of Landsbanki Íslands hf. and those insurers with whom a settlement has not already been reached.
 - At the extraordinary general meeting (EGM) of LBI held on 17 May 2019, the shareholders decided to bring actions against former CEOs of Landsbanki Íslands hf. (now LBI ehf.) and insurers to obtain compensation for lending to Straumur-Burðarás Investment Bank hf. in October 2008. These claims are for the same events as previously brought in above two cases that were dismissed by the Reykjavik District Court on 28 December 2018. It is expected that the formal court proceeding process will start at end of May/early June 2019.
- Disputed Art. 113 claims
 - **Money Market cases (14 cases)**. See further on this on slide 11.
 - **Goldman Sachs**. See further on this on slide 11.

MONETISATION PLAN FOR NEXT 12 MONTHS

ASSET CATEGORIES	2019			2020	TOTAL
	Q2	Q3	Q4	Q1	
Loans to customers	8.387	1.510	53	53	10.003
Equities	227	0	4	0	231
Claims on bankrupt estates .	174	0	894	0	1.068
Other assets	135	0	539	0	674
TOTAL	8.923	1.510	1.489	53	11.975

AMOUNTS IN EUR EQUIVALENT	2019			2020	TOTAL
	Q2	Q3	Q4	Q1	
USD	0	0	539	0	539
GBP	402	0	97	0	499
EUR	8.255	1.457	800	0	10.512
Other	267	53	53	53	426
TOTAL	8.923	1.510	1.489	53	11.975

- EUR 8.4 million is expected to be received in Q2 2019 from loans to customers, thereof EUR 3.7 million (already received) from the largest exposure and EUR 4.4 million from syndicated loan to a German financial institution.
- EUR 1.5 million is expected to be received in Q3 2019 from loans to customers, mainly from the largest exposure.

Q&A