



2019 Q2 Management Accounts – Investor Call

14:00 GMT – 30 JULY 2019

DISCLAIMER

- 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”).
- This document (“Information”) contains 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.
- Without prejudice to liability for fraud, LBI accepts no responsibility for the accuracy or completeness of any information and, without limitation to the foregoing, disclaims any liability which may be based on the accuracy or completeness of this presentation, modification of the presentation or any use or inability to use this information. No representation, warranty or undertaking, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information or the opinions contained herein and therein.
- LBI and its employees are under no circumstances responsible for any damage or loss which may occur as a result of any of the Information. LBI and its employees do not accept any liability in any event including (without limitation) any damage or loss of any kind which may arise including direct, indirect, incidental, special or consequential damages, expenses or losses arising out of, or in connection with the use or inability to use the information.
- LBI is under no obligation to make amendments or changes to this publication if errors are found or opinions or Information change.
- Nothing in this presentation should be relied upon by any person for any purposes including, without limitation, in connection with investment decisions relating to LBI. LBI accepts no responsibility for any such reliance.

KEY DEVELOPMENTS IN Q2 2019

- 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 claim was resolved after the Supreme Court rejected an application to appeal a decision by the Landsrettur Court of Appeal. As a result, cash of EUR 1.9 million and Convertible Bonds in the nominal amount of EUR 789 thousand was transferred from reserves held in escrow to Goldman Sachs. Also, 1.517.444 new Class A Shares were issued to Goldman Sachs. Concurrently, cash of EUR 1.5 million and Convertible Bonds in the nominal amount of EUR 641 thousand were returned to LBI from reserves held in escrow. The Convertible Bonds returned to LBI were subsequently cancelled.
- On 29 May 2019, LBI received a final payment of EUR 4.6 million on a syndicated loan secured by an equity position in a German financial institution, increasing value by EUR 157 thousand.
- On 19 June May 2019, the Supreme Court rejected an application by the VBS estate to appeal a decision by the Landsrettur Court of Appeal on a disputed Art. 113 money market claim lodged by the VBS estate against LBI. As a result, cash of EUR 293 thousand and Convertible Bonds in the nominal amount of EUR 120 thousand was returned to LBI from reserves held in escrow. The Convertible Bonds returned to LBI were subsequently cancelled.

DRIVERS OF FINANCIAL CHANGE IN Q2 2019

| ASSET CATEGORIES | 31.3.2019 | Net cash received | FX change | Value-change | Income | Operating expenses | Note Redemption | Reserve and other reversals | 30.6.2019 |
|--|----------------|-------------------|--------------|--------------|-----------|--------------------|-----------------|-----------------------------|----------------|
| Cash | 20.860 | 9.000 | (146) | | 0 | (2.849) | (16.820) | 1.815 | 11.860 |
| Restricted cash | 15.160 | | (4) | | | (16) | | | 15.140 |
| Loans to customers | 10.645 | (8.457) | 0 | 456 | 49 | | | | 2.692 |
| Claims on bankrupt estates and other assets .. | 86.540 | (543) | 10 | 10 | | | | | 86.018 |
| TOTAL | 133.205 | 0 | (139) | 466 | 49 | (2.865) | (16.820) | 1.815 | 115.711 |

- The Company received payments of EUR 9 million, mainly dividend payment of EUR 3.7 million from the individual's estate related to sale of a real estate in Spain and payment of EUR 4.6 million on a syndicated loan secured by an equity position in a German financial institution,
- Net increase in estimated value of EUR 466 thousand is mainly from reassessments of expected recoveries on loans to customers.
- On 17 June 2019 Scheduled Note redemption of EUR 16.820 million was made.
- Reversals from reserves on escrow of EUR 1.815 million is related to final court decisions on disputed Art. claims lodged by Goldman Sachs, the VBS estate and two money market claimants.

KEY EVENTS AFTER THE BALANCE SHEET DATE

- The main hearing before the Paris Court of Appeal in a case brought by the French Public Prosecutor and French debtors against the Landsbanki Luxembourg estate, some of the banks' former employees and the former chairman of the board of LBI ehf. ended on 5 July 2019. The Paris Court of Appeal is scheduled to render its decision on 4 December 2019.

PRO FORMA BOOK VALUE OF THE OUTSTANDING CONVERTIBLE NOTES

| | |
|--|--------------|
| TOTAL ASSET VALUE AS OF 30 JUNE 2019 | 115.711 |
| LESS: OTHER LIABILITIES | (843) |
| <hr/> | |
| CONVERTIBLE NOTE BOOK VALUE AS OF 30 JUNE 2019 | 114.868 |
| <hr/> | |
| NOMINAL VALUE OF CONVERTIBLE NOTES AS OF 30 JUNE 2019 | 571.015 |
| <hr/> | |
| IMPLIED RECOVERY OF CONVERTIBLE NOTES OUTSTANDING | 20,1% |
| <hr/> | |

- The numbers include cash that is expected to be spent on operational expenses.

OPERATIONAL EXPENSES

| EXPENSES VERSUS BUDGET | Q2 2019 | Q1 2019 |
|---------------------------------|----------------|----------------|
| Budgeted operating expenses .. | 2.082 | 1.331 |
| Actual operating expenses | 2.310 | 4.235 |
| DIFFERENCE | (227) | (2.904) |

| SALARIES AND RELATED EXPENSES | Q2 2019 | Q1 2019 |
|--------------------------------------|----------------|----------------|
| Salaries..... | 1.629 | 1.263 |
| Pension fund..... | 272 | 154 |
| Other salary related expenses. | 45 | 92 |
| TOTAL | 1.946 | 1.508 |

| GENERAL AND ADMINISTRATIVE EXPENSES | Q2 2019 | Q1 2019 |
|--|----------------|----------------|
| External advisors..... | 264 | 2.131 |
| Premises expenses..... | 14 | 10 |
| Other expenses..... | 85 | 586 |
| TOTAL | 363 | 2.727 |

- The EUR 227 thousand difference between budget and actual operating expenses is mainly explained by final employee incentive payments and LTIP payments on higher recovery than expected
- Salaries and related expenses for Q2 2019 exceeded the prior quarter due to final employee incentive payments, LTIP payments and redundancy payments related to the reduction in employees from 5 to 2.

CASH AND RESTRICTED CASH

| CASH | 30.6.2019 | 31.3.2019 | RESTRICTED CASH | 30.6.2019 | 31.3.2019 |
|--------------|---------------|---------------|----------------------------|---------------|---------------|
| Cash..... | 11.860 | 20.860 | Indemnity Fund..... | 14.899 | 14.915 |
| TOTAL | 11.860 | 20.860 | Trustee Indemnity Fund.... | 241 | 245 |
| | | | TOTAL | 15.140 | 15.160 |

- Cash
 - Cash at end of Q2 2019 amounted to EUR 11.9 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 | 30.6.2019 | 31.3.2019 | LOANS BY COUNTRY | 30.6.2019 | 31.3.2019 |
|------------------|--------------|---------------|-------------------|--------------|---------------|
| Real Estate..... | 2,274 | 5,696 | UK..... | 2,574 | 2,297 |
| Services..... | 300 | 4,700 | Germany..... | 0 | 4,400 |
| Other..... | 118 | 249 | Netherlands..... | 21 | 21 |
| | | | Other Europe..... | 98 | 3,928 |
| TOTAL | 2,692 | 10,645 | TOTAL | 2,692 | 10,645 |

Loans by Sector

- Remaining recovery for Real Estate sector lending is mainly on loans to an individual who has filed for bankruptcy in the United Kingdom and to K/S structure exposures.
- Remaining recovery for the Service sector is mainly expected recovery on a leverage lending exposure to a holding company.

Loans by Country

- Remaining recovery for UK is mainly related to loans to an individual in bankruptcy proceedings and to K/S structure exposures.

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 (12 cases) | 82 | 10 | 4 | 96 | Expected to be resolved/cancelled before end of 2019 |
| Contingent Heritable claims (67) | 786 | 2.225 | 909 | 3.920 | Awaiting final distribution by the Heritable's estate |
| TOTAL CONTINGENT | 786 | 2.225 | 909 | 3.920 | |
| TOTAL DISPUTED | 82 | 10 | 4 | 96 | |
| TOTAL RESERVES | 868 | 2.235 | 913 | 4.016 | |

- The table above shows the status of reserves on escrow at the end of Q2 2019
- Disputed Art. 113 claims:
 - At the end of Q2 2019, 12 small money market cases remained outstanding. Currently all these claims are expected to be resolved and/or cancelled before the end of 2019 with the associated reserves on escrow being returned to LBI.
- Contingent Art. 113 claims:
 - Reserves for contingent Heritable claims will be reversed to the extent claimants receive further distributions from the Heritable estate. It is 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. Next procedural hearing hasn’t been scheduled but is expected in the autumn 2019.
 - 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 (and not appealed). In late May 2019, LBI served its summons on the defendants. The case will formally start before the Reykjavik District Court on 12 September 2019.

MONETISATION PLAN FOR NEXT 12 MONTHS

| ASSET CATEGORIES | 2019 | | 2020 | | TOTAL |
|---|--------------|------------|------------|-----------|--------------|
| | Q3 | Q4 | Q1 | Q2 | |
| Loans to customers | 1.322 | 348 | 48 | 48 | 1.765 |
| Claims on bankrupt estates and other assets . | 0 | 4 | 620 | 0 | 624 |
| TOTAL | 1.322 | 352 | 668 | 48 | 2.389 |

| AMOUNTS IN EUR EQUIVALENT | 2019 | | 2020 | | TOTAL |
|---------------------------|--------------|------------|------------|-----------|--------------|
| | Q3 | Q4 | Q1 | Q2 | |
| USD | 0 | 0 | 531 | 0 | 531 |
| GBP | 0 | 4 | 89 | 0 | 93 |
| EUR | 1.130 | 300 | 0 | 0 | 1.430 |
| Other | 192 | 48 | 48 | 48 | 335 |
| TOTAL | 1.322 | 352 | 668 | 48 | 2.389 |

- EUR 1.3 million is expected to be received in Q3 2019 from loans to customers, thereof EUR 1.1 million from the estate of an individual who has filed for bankruptcy in the UK.

Q&A