

LBI

Management Accounts 1 July to 30 September 2022

LBI ehf
Ármúli 21
108 Reykjavík
Reg. No. 540291-2259

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Endorsement by the Board of Directors

LBI ehf. (hereafter "LBI" or the "Company") is a private limited liability company incorporated and domiciled in Iceland. The Company's registered office is at Ármúli 21, 108 Reykjavík.

LBI's main activity is the management and controlled monetisation of its asset portfolio, which includes, among other things, cash, loans, equity instruments, claims on bankrupt estates, real estate, and litigation claims against third parties.

LBI's winding-up proceedings under the Icelandic Bankruptcy Act were concluded on 25 December 2015 according to the terms of the composition agreement approved (the "Composition Agreement") following which LBI issued new shares and convertible notes (the "Convertible Notes") to its composition creditors in settlement of their claims on 23 March 2016.

Net cash inflow from assets during the period amounted to EUR 444 thousands.

As of 30 September 2022, the Company's total assets amounted to EUR 110.7 million and total liabilities amounted to EUR 110.7 million. The loss for the period amounted to nil after adjusting the value of the Convertible Notes by EUR 0.7 million as to equal the estimated net realisable value of the Company's assets.

On 30 September 2022, 558 shareholders were registered in the Company's share registry.

LBI's holding of financial and other assets gives rise to various risks. The Company proactively manages risk by ensuring that an appropriate governance framework and internal controls are in place. The Convertible Notes are directly linked to the value of the Company's assets. Any changes to the valuation of the Company's assets due to market developments or perceived risk will therefore have a direct effect on the value of the Convertible Notes. A portion of LBI's assets is denominated in currencies other than the functional currency of the Company and the currency denomination of the Convertible Notes, which gives rise to foreign exchange risk. LBI does not utilise forward contracts, derivatives or other forms of financial hedging.

Reykjavík, 29 November 2022

The Board of Directors

Richard Katz

Chairman

Hlynur Elisson

General Manager

Martin Potts

Non-executive

Income Statement for the period 1 July to 30 September 2022

	Notes	2022 1/7-30/09	2022 1/4-30/06
Interest, dividend and fee income	4	0	0
Net change in value	5	56	18
Net exchange difference		(46)	(119)
Operating income		<u>10</u>	<u>(101)</u>
Salaries and related expenses	6	(161)	(810)
General and administrative expenses	7	(505)	(651)
Operating expenses		<u>(666)</u>	<u>(1.461)</u>
Adjustment to value of the Convertible Notes	12	657	1.563
Financing activities		<u>657</u>	<u>1.563</u>
Profit before taxes		<u>0</u>	<u>0</u>
Taxes	13		
Profit for the period		<u>0</u>	<u>0</u>

Balance Sheet as at 30 September 2022

Assets	Notes	30.9.2022	30.6.2022
Cash	8	11.966	12.405
Restricted cash	9	282	265
Loans to customers	10	54	321
Claims on bankrupt estates and other assets	11	98.411	98.527
Total assets		<u>110.713</u>	<u>111.518</u>
Liabilities			
Convertible Notes	12	110.145	110.802
Other liabilities		568	716
Total liabilities		<u>110.713</u>	<u>111.518</u>
Equity			
Share capital		12.761	12.761
Accumulated deficit		(12.761)	(12.761)
Total equity	14	<u>0</u>	<u>0</u>
Total liabilities and equity		<u>110.713</u>	<u>111.518</u>

Statement of Cash Flows for the period 1 July to 30 September 2022

	2022 1/7-30/09	2022 1/4-30/06
Cash flows (to) from assets		
Loans to customers - principal payments inflow	328	3
Claims on bankrupt estates and other assets	117	0
Net cash from assets	<u>444</u>	<u>4</u>
Cash flows (to) from other operating activities		
Salaries and related expenses	(280)	(634)
General and administrative expenses	(518)	(729)
Net cash (to) from other operating activities	<u>(799)</u>	<u>(1.363)</u>
Cash flow (to) from financing activities		
Reversal of reserves held in escrow	0	0
Redemption of Convertible Notes	0	0
Net cash (to) from financing activities	<u>0</u>	<u>0</u>
(Decrease) increase in cash	(354)	(1.359)
Effects of foreign exchange rate adjustments on cash	(85)	(125)
Cash at the beginning of the period	12.405	13.890
Cash at the end of the period	<u>11.966</u>	<u>12.405</u>

General information

1. Reporting entity

LBI ehf. is a private limited liability company incorporated and domiciled in Iceland. The Company's registered office is at Ármúli 21, 108 Reykjavík.

LBI's main activity is management and controlled monetisation of its asset portfolio which includes, among other things, cash, loans, claims on bankrupt estates, real estate and litigation claims against third parties.

2. Basis of preparation

Statement of compliance

The Management Accounts have been prepared on the basis that LBI is able to manage the realisation of its assets and transact its ongoing business with appropriate regard to the interests of all its stakeholders. Accordingly, the estimate of value attributed to each asset is dependent on the realisation strategy presently pursued for such asset. As such, asset value does not necessarily represent the price at which an orderly transaction could take place between market participants on the reporting date. Rather, such values are intended to represent the value of assets based on a longer-term estimate of recoverable value.

In these Management Accounts, interest in subsidiaries and associates are measured at fair value as the intention of the Company is to liquidate or sell subsidiaries in the short to medium term.

Going concern

The Management Accounts have been prepared on the basis that the Company will be able to effectively manage the timing of asset realisations. External events (whether political, economic, regulatory and/or legal in nature) could affect the time scale, ability and process for such realisations. Due to the nature of its operations, the Company has a finite life. The Convertible Notes will be fully converted into equity when all recoverable assets of the Company have been realised and all available cash has been applied toward the redemption of outstanding Convertible Notes. Following the full conversion of the Convertible Notes into equity, the Company will be dissolved.

Valuation methodology

The valuation methodology underlying each asset category is based on the application of the Company's present asset realisation strategy. The methodology does not represent an exhaustive attempt to take into account all factors that the Company or other market participants would consider when performing an in-depth valuation exercise. Further information regarding the valuation methodology for each asset is as follows:

Balance sheet item	Valuation methodology
Cash and restricted cash	Recognised at nominal value.
Loans to customers	Recognised at amortised cost, applying the effective interest rate method, with estimates made for impairment reflecting the creditworthiness of the borrower, underlying collateral if any and other relevant factors.

Notes

Claims on bankrupt estates and other assets	Realisable value for claims against bankrupt estates is based on best estimate of recoverability, in part reflecting information provided by the administrator of the relevant estate. Equities are valued at estimated recoveries. To the extent such assets are subject to market quotations, the Company reviews such quotations in assessing its recoveries but does not rely exclusively on such quotations. Real estate is valued at realisable value. Disputes are valued at estimated recoveries. Value derived from settlement of disputes reported off balance sheet are reported under this category. Other receivables are valued at nominal amount.
Convertible Notes	Recognised at the lesser of net asset value or nominal amount outstanding at the end of the period.
Other liabilities	Valued at nominal amount.

Functional currency

This Management Accounts are presented in EUR, which is the Company's functional currency. All amounts have been rounded to the nearest thousand, except where otherwise stated. A proportion of the Company's assets are denominated in currencies other than EUR. As a result, the estimated values presented herein may be impacted by exchange rate movements.

Uncertainties / use of estimates and judgements

The preparation of the Management Accounts requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported values. The estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Reasonable prudence is exercised in the valuation of individual assets and foreseeable losses are taken into account. Actual results may nonetheless differ materially from these estimates and assumptions made.

The Management Accounts have been prepared on the basis that LBI is able to manage the realisation of its assets and transact its ongoing business with appropriate regard to the interests of all its stakeholders. Accordingly, the estimate of value attributed to each asset is dependent on the realisation strategy presently pursued for such asset. As such, asset value does not necessarily represent the price at which an orderly transaction could take place between market participants on the reporting date. Rather, such values are intended to represent the value of assets based on a longer-term estimate of recoverable value.

Limited active markets exist for some of the assets held by the Company. To the extent that the estimated asset values are based on inputs that are less observable or unobservable in the market, estimation of value requires a more subjective judgement. Accordingly, management has been required to apply such judgement considerably in estimating values for certain assets.

The Company holds assets for which limited, or no observable market data is available, and/or which are subject to legal disputes. The value of those assets is based on judgements regarding various factors deemed appropriate. Considerable judgement has been applied in determining and recognising the value of those assets.

The realisable value of the Company's assets may differ at various points in time, as some of the non-cash assets are complex, illiquid and non-standardised, and subject to a number of material

uncertainties, including general economic and market conditions and legal outcomes which have been and may continue to be volatile. Changes in the underlying assumptions used for measurement could materially affect these stated values.

Interest, dividend and fee income

Interest and fee income is recognised on an accrual basis except interest income on cash held at bank which is recognised from account statements.

Dividend income is recognised when the shareholder's right to receive payment has been established (provided that the economic benefits are expected to flow to the Company and the amount of income can be measured reliably).

Impairment

Assets measured at amortised cost are reviewed at each reporting date to determine whether there is any indication of impairment. Impairment is determined by evaluating exposures on a case-by-case basis. Reasonable prudence is exercised in the valuation of individual assets and potential losses which may arise in the course of the financial year or in respect of previous financial years are taken into account. Impairment losses are recognised in the income statement when losses are either incurred or foreseeable.

Where the cost of assets has been impaired and the reasons for the impairment no longer applies, the previously recognised impairment loss is reversed. Income from assets classified off balance sheet is recognised as reversal of impairment. The amount of the reversal is recognised in the income statement.

Stability Contribution

As part of the Composition Agreement confirmed by the District Court of Reykjavik on 18 December 2015 (which became final and binding under Icelandic law on 25 December 2015), LBI made a voluntary contribution to the Icelandic State (the "Stability Contribution") and entered into an agreement with the Central Bank of Iceland ("CBI") whereby the Company undertook to transfer ISK cash balances and certain assets to the CBI (the "Assignment Agreement"). The Assignment Agreement furthermore provided for specific assets to be retained by LBI (the "Retained Assets"), subject to additional Stability Contributions (the "Additional Stability Contributions") in the future under certain circumstances.

The Retained Assets held by LBI during the reporting period comprised certain assets, rights and litigation where a realisation could result solely in ISK proceeds or combined ISK and non-ISK proceeds; and where any ISK proceeds must be transferred to the CBI as an Additional Stability Contribution if and when realised. No value is assigned to prospective ISK proceeds from these assets on LBI's Balance Sheet. Any cash received on account of a Retained Asset will be held off balance sheet until returned to CBI as Additional Stability Contribution.

3. Currency exchange rates

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the date of each transaction. Monetary assets and liabilities denominated in foreign currency are converted using the rates published by the CBI on the Balance Sheet date. Profit and loss resulting from exchange rate movements are included in profit/loss for the reporting period.

Notes

	Balance Sheet date	
	30.9.2022	30.6.2022
USD	1,0259	0,9627
GBP	1,1315	1,1652

At the end of the reporting period, the Company held assets in currencies other than EUR, GBP, USD totalling the equivalent of EUR 2.7 million (see Note 16).

Notes to the Income Statement

4. Interest, dividend and fee income

	2022	2022
	1/7 - 30/9	1/4 - 30/6
Cash and restricted cash balances	0	0
Total	0	0

5. Net change in value

	2022	2022
	1/7 - 30/9	1/4 - 30/6
Loans to customers.....	55	18
Claims on bankrupt estates and other assets.....	1	0
Total	56	18

6. Salaries and related expenses

	2022	2022
	1/7 - 30/9	1/4 - 30/6
Salaries.....	133	699
Pension fund.....	18	66
Other salary related expenses.....	10	46
Total	161	810

Average number of full-time positions during the period.....	0,8	1,0
Number of full-time positions at the end of the period.....	0,5	1,0

7. General and administrative expenses

	2022	2022
	1/7 - 30/9	1/4 - 30/6
External advisors.....	435	549
Premises expenses.....	15	10
Other expenses.....	56	92
Total	505	651

Notes

Notes to the Balance Sheet

8. Cash

	30.9.2022	30.6.2022
Cash.....	11.966	12.405
Total	11.966	12.405

9. Restricted cash

	30.9.2022	30.6.2022
Trustee Indemnity Fund.....	282	265
Total	282	265

An indemnity fund has been placed with Wilmington Trust in its capacity as trustees under the trust deed executed in relation to the issuance of the Convertible Notes (the "Trustee Indemnity Fund"). The first of four equal instalments in the amount of USD 275 thousands has been deposited into the Trustee Indemnity Fund which could total USD 1.1 million when fully funded. The Trustee Indemnity Fund will be held for the benefit of Wilmington Trust and any remaining funds released under certain conditions three months after the Convertible Notes are redeemed, cancelled or converted.

10. Loans to customers

As of 30 September 2022, the estimated recoverable value in the loan to customer portfolio was attributable to a single individual who guaranteed the obligation of failed K/S entity.

11. Claims on bankrupt estates and other assets

Landsbanki Luxembourg

LBI is the sole remaining creditor of the Landsbanki Luxembourg estate, which has been subject to liquidation proceedings in Luxembourg since late 2008. Information set forth below regarding legal matters pertaining to the Landsbanki Luxembourg estate is mainly based on communications from that estate's liquidator, and not all of such information has been independently verified by LBI management.

The residual assets of the Landsbanki Luxembourg estate consist of equity release loans to individuals domiciled mainly in France and Spain. All loans are secured by first-lien mortgages on residential property owned by the respective borrowers. As a general matter, when an equity release loan was originally advanced, a portion of the proceeds was made available to the applicable borrower in cash or in the form of a repayment on an existing mortgage; other proceeds may have been invested in securities.

The French debtors brought criminal actions against the Landsbanki Luxembourg estate as a result of which the Criminal Court in Paris ordered a stay on the collection and enforcement of outstanding loans to borrowers domiciled in France until the conclusion of the legal proceedings, which has impeded the expected cash flow in the form of dividend payments from the Landsbanki Luxembourg estate to LBI and delayed collection of these loans and the liquidation process as a

Notes

whole. After several years of litigation and appeals, the criminal actions brought against the Landsbanki Luxembourg estate were finally dismissed in November 2021 when the French Cour de Cassation upheld a decision by the Paris Appeal Court to acquit all accused parties and dismiss all claims for damages lodged by the borrowers. As a result of the Cour de Cassation decision, the stay on the collection and enforcement of outstanding loans to borrowers domiciled in France was lifted.

Landsbanki Luxembourg is also subject civil proceedings in Spain. These proceedings, too, may impact the timing and amounts of recoveries on the portfolio.

Collections on Landsbanki Luxembourg's loans may take several years due to the time requirements of legal proceedings and enforcement procedures. Because of this, LBI's presented estimated recovery numbers are subject to great uncertainty, both in timing and amount.

During the quarter, LBI received EUR 0.1 million in distributions from the Landsbanki Luxembourg estate.

At 30 September 2022, LBI's claims against the Landsbanki Luxembourg estate amounted to EUR 337.4 million.

Other assets

As of 30 September 2022, other assets primarily consist of nostro account balances with HSBC's Milan Branch, which remain subject to resolution and collection, and a real estate property in France which the Company bought on a public auction in January 2020 to defend the interests of the Landsbanki Luxembourg estate.

The Company filed litigation against HSBC's Milan Branch in Italy in March 2017. The dispute arises from the withdrawals of funds by HSBC from bank accounts in the name of LBI at the HSBC Milan Branch. On 22 June 2021, the Milan Court of First Instance handed down a judgement dismissing the Company's claims. In July 2021, the Company decided to appeal the decision to the Milan Court of Appeal. First procedural hearing before the Milan Court of Appeal was held in December 2021. As proceedings before the appellate court are usually faster than before the court of first instance, it is currently expected that a decision on the appeal will be rendered in the first half of 2023.

Notes

Liabilities

12. Convertible Notes

Pursuant to the Composition Agreement the Company issued Convertible Notes on 23 March 2016 in an aggregate nominal amount of EUR 2,041,382 thousands. The nominal amount of the Convertible Notes is specified as follows:

	Noteholders	LBI	Total
Nominal amount outstanding 30 June 2022.....	415.524	0	415.524
Convertible Notes redeemed.....	0	0	0
Nominal amount outstanding 30 September 2022.....	415.524	0	415.524

The Convertible Notes are unsecured, non-interest bearing, convertible into equity in certain circumstances and contain certain restrictions related to the Company's assets.

The final maturity of the Convertible Notes is 30 November 2035. The timing and amount of any early redemptions are determined by the realisation of the Company's assets. Under the terms of the Convertible Notes, LBI is required to make redemptions on 15 June and 15 December of each year equal to all available non-ISK cash held by the Company on such dates. Redemptions are made to the extent that its aggregate non-ISK cash balances exceed the equivalent of EUR 10 million after deduction of funds retained for budgeted operating expenses and asset support. LBI has the option of making early redemptions at any time, subject to prior notification.

The Convertible Notes are convertible into equity on the final maturity date, in part or in full, or on a conversion date as defined in their terms. The Convertible Notes will be fully converted into equity when all recoverable assets of the Company have been realised and all available non-ISK cash has been applied toward the redemption of outstanding Convertible Notes. Following the full conversion of the Convertible Notes into equity, the Company will be dissolved.

Pursuant to LBI's Articles of Association, the Convertible Notes are contractually stapled to the Company's share capital on a pro-rata basis, which requires any transfer of the two instruments to occur simultaneously.

LBI's payment obligations under the Convertible Notes cannot exceed the net realisable value of the underlying assets of the Company, except upon acceleration following an event of default. As such, the book value of the Convertible Notes is adjusted in line with the value of the Company's assets at the end of each financial reporting period. While an increase in asset value can lead to an increase in the book value of the Convertible Notes, the book value of the Convertible Notes can never be higher than the nominal amount outstanding.

The book value of the Convertible Notes is specified as follows:

	30.9.2022	30.6.2022
Book value outstanding at the beginning of the period.....	110.802	112.365
Adjustment of value relating to net asset value.....	(657)	(1.563)
Book value of the Convertible Notes at the end of the period.....	110.145	110.802

Notes

13. Taxes

Income tax

The Company is subject to general corporate income tax in Iceland at the rate of 20%. The Company has tax loss carry-forwards from previous years to offset future taxable income as set out below:

Income year	Expires	Tax loss
2012	2022	83.911
2013	2023	51.610
2014	2024	107.919
2015	2025	0
2016	2026	0
2017	2027	8.417
2018	2028	0
2019	2029	0
2020	2030	0
2021	2031	0
	Total	251.857

Equity

14. Changes in Equity

The Company's share capital is divided into two classes of shares, being 1,284,160,086 Class A Shares and nil Class B Shares. The rights of shareholders in each class are the same apart from the fact that shareholders holding Class B Shares do not enjoy voting rights except as set out in the Company's Articles of Association.

The share capital of the Company as of 30 September 2022 is specified as follows:

	Shares	Ratio	Amount
Total share capital at the end of period	1.284.160.086	100,0%	12.841.601
Own shares at end of period	(8.058.800)	-0,6%	(80.588)
	<u>1.276.101.286</u>	<u>99,4%</u>	<u>12.761.013</u>

Change in equity is specified as follows:

	Share capital	Accumulated deficit	Total equity
Equity as of 1 April 2022	<u>12.761</u>	<u>(12.761)</u>	<u>0</u>
Equity as of 30 June 2022	<u>12.761</u>	<u>(12.761)</u>	<u>0</u>

Information relating to claims not reflected in the Balance Sheet

15. Stability Contribution

Pursuant to its Composition Agreement and the Assignment Agreement entered into with the CBI, the Company undertook to make certain voluntary contributions to the Icelandic State in the form of Additional Stability Contributions (ISK cash proceeds from the monetisation or release of Retained Assets realised from 1 January 2016 onwards).

Any cash received on account of a Retained Asset is held off balance sheet until returned to CBI as Additional Stability Contribution.

Other Information

16. Assets specified by currencies

	30.9.2022				Total
	EUR	USD	GBP	Other*	
Cash	5.853	830	2.632	2.651	11.966
Restricted cash	0	282	0	0	282
Loans to customers	0	0	0	54	54
Claims on bankrupt estates and other assets ...	98.409	0	0	2	98.411
Total	104.262	1.112	2.632	2.707	110.713
% of total assets	94%	1%	2%	2%	100%

	30.6.2022				Total
	EUR	USD	GBP	Other	
Cash	6.240	787	2.575	2.803	12.405
Restricted cash	0	265	0	0	265
Loans to customers	0	0	321	0	321
Claims on bankrupt estates and other assets ...	98.525	0	0	2	98.527
Total	104.765	1.052	2.896	2.805	111.518
% of total assets	94%	1%	3%	3%	100%

* EUR 2.381 of the cash in the "Other" category is NOK.

Other Information

17. Drivers of change for the period 01/07/2022-30/09/2022

Asset categories	30.6.2022	Net cash received	FX change	Value-change	Income	Operating expenses	Note Redemption	30.9.2022
Cash	12.405	444	(85)	0	0	(799)	0	11.966
Restricted cash	265	0	17	0	0	0	0	282
Loans to customers	321	(328)	5	55	0	0	0	54
Claims on bankrupt estates and other assets .	98.527	(117)	(0)	1	0	0	0	98.411
Total	111.518	0	(63)	56	0	(799)	0	110.713

Other Information

18. Assets, classification and measurement

Asset categories	30.9.2022		30.6.2022	
	Balance	Value	Balance	Value
Cash	11.966	11.966	12.405	12.405
Restricted cash	282	282	265	265
Loans to customers	1.826	54	50.749	321
Claims on bankrupt estates and other assets	345.284	98.411	345.418	98.527
Total	359.358	110.713	408.837	111.518

The balance of loans to customers as of 30 September 2022 include aggregate exposures of EUR 1.6 million for which the Company expects zero-recovery.

19. Actual cash flow versus previously expected cash flow

Asset categories	Actual cash flow	Expected Cash flow
	1/7 - 30/9 2022	1/7 - 30/9 2022
Loans to customers	328	0
Claims on bankrupt estates and other assets	117	437
Total	444	437

Amounts by currency stated in EUR equivalent	Actual cash flow	Expected Cash flow
	1/7 - 30/9 2022	1/7 - 30/9 2022
USD	0	0
GBP	326	321
EUR	116	116
Other	2	0
Total	444	438

20. Asset monetisation plan for the next 12 months

Asset categories	2022		2023	
	Q4	Q1	Q2	Q3
Loans to customers	2	2	2	2
Claims on bankrupt estates and other assets	0	3.000	3.000	3.000
Total	2	3.002	3.002	3.002

Amounts by currency stated in EUR equivalent	2022		2023	
	Q4	Q1	Q2	Q3
EUR	0	3.000	3.000	3.000
Other	2	2	2	2
Total	2	3.002	3.002	3.002

Other Information

Future projected recoveries of €3m per quarter is an estimate based upon the perceived prospect of LBI ehf's debtors monetising underlying assets. This figure is a high level estimate and may be lower or higher subject to actual recoveries. LBI ehf will endeavour to provide more accurate information in the future.

21. Operational budget for 2023

	2023			
	Q1	Q2	Q3	Q4
Salaries and related expenses				
Salaries.....	88	88	88	88
Pension fund.....	12	12	12	12
Other salary related expenses.....	6	6	6	6
Total	106	106	106	106
General and administrative expenses				
External Advisors.....	553	547	384	388
Premises expenses.....	10	11	10	10
Other expenses.....	39	110	29	29
Total	602	668	423	428
Operating expenses total.....	708	773	529	533